EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,648

Friday January 3 1992

D 8523A

JAPAN ECONOMY
High interest rates end Tokyo's boom
Page 9

World News

Shamir does deal to end Israeli budget crisis

Israeli prime minister Yitzhak Shamir last night won parliamentary approval for his 1992 budget after making concessions to rightwing and coalition factions. The deal ended a crisis that had launched the country on a new financial year without a budget in place. Page 10

Later, Israel television announced the expulsion of 12 Palestinian activists from the West Bank and Gaza Strip, where an Israeli settler was killed on Wednesday.

Bosnia appeals to Vance
The central Yugoslav republic of Bosnia-Hercegovina appealed to UN envoy Cyrus Vance to send UN peacekeeping troops there as soon as possible. Page 2

Salvador clashes
Left-wing Farabundo Marti guerrillas and Salvadorean troops clashed only hours after signing a peace plan aimed at ending the country's 12-year-old civil war. Page 3

Chad rebels attack
France reinforced its garrison in Chad after rebels loyal to deposed Chadian president Hissène Habré captured two towns near the capital, N'Djamena. About 1,200 French troops are already in the former French colony.

Iraq frees detainees
Iraq released two US businessmen and a Filipino man. The three, held in a Baghdad jail since December 6 after straying across the border from Kuwait, were handed over to Polish diplomats in Baghdad. Page 3

Middle East freezes
Jerusalem shivered under 16 inches of snow, freezing weather gripped Jordan and many Middle East towns and villages were cut off by floods or drifts. In Turkey, an avalanche killed at least 20 people. Picture, Page 3

Algerians on the march
About 300,000 Algerians marched through the capital, Algiers, in a challenge to Moslem fundamentalists who seem poised to win a parliamentary majority. Page 3

IRA threatens Britain
The Irish Republican Army threatened to step up its campaign of violence in Northern Ireland and on the British mainland.

South Africa bombs
Bombs damaged South African post offices at Krugersdorp near Johannesburg and Verwoerdburg near Pretoria. Police blamed the attacks on white rightwing extremists. Editorial Comment, Page 8

Iran smokers' reprieve
Iran's guardian council refused for a second time to let through a tough anti-smoking bill passed by the Iranian parliament last November.

US murder record
Washington ended 1991 with 490 homicides, breaking its own 1990 record as the US city with the highest annual murder rate per head of population.

Business Summary

Zale may look for Chapter 11 protection

Zale Corporation, the largest retail jeweller in the US, was yesterday studying a bankruptcy petition filed by bondholders, but said it believed an out-of-court reorganisation would be in everyone's best interest.

The Dallas-based company, owned jointly by Peoples Jewellers in Toronto and Zurich-based Swarovski International Holding, defaulted on a $52m interest payment on its junk bonds. The 30-day "grace period" for payment was due to expire yesterday. Page 11

STERLING: Fears of a sterling crisis receded when the governor of the Bank of England ruled out any immediate move to increase UK interest rates and insisted that the pound would not be devalued within the European exchange rate mechanism. Page 10

FARM subsidies: George Bush rebuffed Australian farmers demanding an end to US farm subsidies, declaring that the European Community and Japan were mainly to blame for protectionism. He said US subsidies were needed to offset an "avalanche" of subsidised EC exports. Page 10

BEAZER Homes, UK housebuilder, is to market mock-Tudor and Elizabethan homes in Japan under a licensing agreement with Kureha Construction. Page 10

LUFTHANSA chief executive Juergen Weber warned employees that the German airline would have to bring its costs down rapidly to avoid "bitter consequences" from the competition. Page 13

DURACELL, US battery group, will cut 320 jobs at its Crawley plant in southern England as it rationalises its European manufacturing and distribution operations. Page 5

SWEDEN: Between SKr20bn ($3.6bn) and SKr30bn net of Swedish corporate stock may be bought by foreign investors in 1992 as a result of a change in the law allowing foreigners to buy an unlimited number of Swedish shares. Page 13

SEARS, UK retailing group, sold Miss Erika, US women's fashion wholesaling business and its last remaining US interest, at book value for £22m ($40m) cash. Page 11

BASE METALS producers are in for another lean year and aggregate real prices will in 1992 be no more than 5 per cent above 1986 levels, according to Metals & Minerals Research Services. Page 14

SHANDWICK, world's biggest public relations firm, has been hit by the unexpected resignation of Morgan Grenfell as its merchant bank and Warburg Securities as its stockbroker. Page 11

WESFARMERS, Western Australian farming and commodities group, announced a A$163m ($124m) hostile bid for Bunnings – a timber, hardware and metal products company in which it has a 19.9 per cent stake. Page 13

BANCO Comercial Portugues, Portugal's fastest growing private bank, and Banco Popular Español of Spain have joined forces to launch a new bank in France to be named Banco Popular Comercial. Page 13

Rebels give Georgian leader deadline to quit

By Neil Buckley in Tbilisi

GEORGIA's besieged president Zviad Gamsakhurdia was yesterday given until midday local time (9am GMT) to resign by the leaders of the armed opposition or face an all-out assault on the government building where he has been trapped for 12 days.

Mr Gamsakhurdia, a nationalist and former anti-Soviet dissident who was elected as Georgia's leader by a landslide in January 1991, vowed that he would continue in office and said he was able to rule the republic from the basement of Tbilisi's government building "indefinitely". Speaking to a small group of journalists inside the heavily guarded and fortified basement of the government palace in central Tbilisi, Mr Gamsakhurdia denounced attempts by the armed opposition to overthrow him as a "coup by the Tbilisi mafia and former communists.

"They are receiving both weapons and support from Moscow, as well as from all the criminals and mafiosi in Georgia," Mr Gamsakhurdia said.

His comments came as opposition leaders broadcast a television programme announcing the formation of a temporary government committee, including representatives of all the groups which make up the loose opposition alliance.

The committee imposed a curfew in the capital Tbilisi of 11pm in an effort to reduce the number of casualties in the fighting in the city. The Georgian Interior Ministry said yesterday that at least 62 people had died, with 500 wounded.

In a wood-panelled canteen converted into a makeshift broadcasting studio several metres below ground, Mr Gamsakhurdia admitted that he could not control the entire republic.

But, looking healthy and relaxed, he said he doubted the opposition's ability to launch an all-out attack on the government and insisted he could continue to act as president for an indefinite period.

He compared his position with that of Mr Vytautas Landsbergis, the Lithuanian president, when he was surrounded by Soviet forces in the Lithuanian television centre last January.

"Landsbergis was surrounded, he had no control over the television or the newspapers, he had no airport, but still was still able to rule the republic."

His claims seemed to have some foundation. Mr Gamsakhurdia has the use of an extensive basement complex apparently designed for such a situation by Georgia's former communist masters.

The government palace was constructed by German prisoners of war at the end of the Second World War. The complex has electricity from its own generator, heating and running water. It has also been receiving supplies through a corridor which government forces have managed to secure into the parliament through the narrow streets of Tbilisi old town.

The streets of Tbilisi were quiet yesterday apart from occasional bursts of machine gun and rifle fire, but the opposition dropped several petrol bombs on the government building from a helicopter in
Continued on Page 10

Moscow authorities refuse to release extra food stocks

Russians shocked by fourfold price rises

By John Lloyd in Moscow

SHOCK THERAPY came to Russia yesterday with prices rising by more than the 100 per cent predicted by the government for the first month of the reform. In addition, the government decided not to release extra stocks to compensate for the rises.

Shops, which last year offered a few cheap goods, were still almost bare. But now the few goods available were expensive, spelling poverty for average wage earners and genuine hardship for the low paid.

However, no incidents were reported and many shops remained shut.

Shoppers found prices had increased four or five times - with 10 eggs costing up to Rbs11 against two previously, a kilo of indifferent meat costing Rbs21-31 up from eight, and butter at Rbs45 roubles, up from Rbs10. These prices compare with a minimum wage and pension level, which was recently raised to Rs342 a month.

Ukraine, the second largest republic, also freed its prices yesterday, with many rising more than three times, in line with the Russian experience. However, from next week Ukraine is to give citizens Rbs400 worth of coupons, valid for most purchases, in their monthly salaries as compensation. Belorussia, the third Slav republic, will free prices today and will also introduce coupons.

In an interview with Izvestia, Mr Yegor Gaidar, Russia's deputy prime minister in charge of economic reform, said in an interview with Izvestia that inflation would run at 100 per cent a month for January and February, and that prices would have tripled by the end of the first quarter of the year. Production would fall over the year by 10-12 per cent and there would be a sharp rise in unemployment.

However, Mr Gaidar forecast that the rise in prices would slow to about 12 per cent a month by the middle of the year and to "a few per cent" by the year-end. He said he feared political pressure to pay extra compensation would prove too great to withstand, and that a new inflationary spiral "in which money would lose all meaning" could be created.

Business people and economists were full of foreboding
Continued on Page 10

Background, Page 2

A Moscow shopper ponders whether she can afford another fruit at the new prices

Major seeks UN summit on Soviet break-up

By Robert Mauthner, Diplomatic Editor, in London

MR JOHN MAJOR, the British prime minister, is proposing a summit of the United Nations Security Council's permanent members later this month to discuss the international security implications of the dissolution of the Soviet Union.

Diplomatic soundings on the possibility of holding such a summit have already been carried out by Britain, which took over the rotating presidency of the Security Council on Wednesday.

Officials said the matter was still in a tentative stage, however, pending reactions from the other council members – the US, China, France, and Russia which is due to take over the former Soviet Union's permanent seat.

The idea behind Mr Major's proposal is that a meeting of all the Security Council heads of state and government, probably to be held in New York, could formally recognise Russia as the successor state to the Soviet Union in the UN.

It would also give the leaders, including Russian President Boris Yeltsin, an opportunity for an early contact with Mr Boutros Boutros Ghali, the new UN secretary-general.

The plan would also allow the permanent council members to have talks with Mr Yeltsin about the control of the former Soviet Union's nuclear weapons following the country's dissolution.

The decision by the heads of the new Commonwealth of Independent States in Minsk last Monday that unified control over the nuclear arsenal should be maintained by the Russian president has only partly reassured world leaders.

GTE sells $530m stake in Sprint to United Telecom

By Martin Dickson in New York

GTE, the largest local telephone company in the US, is to sell its remaining 19.9 per cent stake in Sprint, the nation's third biggest long-distance carrier, for $530m. The buyer is United Telecommunications, which already owns 80.1 per cent of the company.

The deal, announced yesterday, marks the end of a five-year partnership. GTE and United Telecom, which both have substantial local telephone interests, combined their long-distance and data communications interests into a single organisation in 1986. Each held a 50 per cent stake.

Joint ownership, however, produced considerable strains and hampered Sprint's development. In 1988 United Telecom therefore took over management control of the business and bought a further 30.1 per cent from GTE for $600m.

GTE has repeatedly made clear over the past two years that it intended to sell its remaining interest. It had an agreement under which it could have required United to buy the stake at book value from the start of this year.

Yesterday's agreement was negotiated separately from that so-called "put" option. United is paying a discount to the book value of the stake, which stood at around $560m at the end of September. GTE benefits by not having to arrange the financing for United's purchase as required under the "put" option agreement.

GTE is believed to have held discussions last year with some European carriers, including Cable & Wireless of the UK, about selling the Sprint stake. However, any such deal would have required the approval of United Telecom, which had always made clear it wanted 100 per cent ownership.

United now intends to change its corporate name to Sprint, which is much more widely known to the US public thanks to its national presence and strong marketing effort.

After its rocky start, Sprint now holds some 10 per cent of the US long-distance market and has developed a reputation for technological innovation, although its revenues and profits are currently being hit by recession.

United Telecom will pay $250m in cash on completion of the deal, expected at the end of this month, and the rest in cash on July 1. It aims to finance the deal with a mixture of short and long-term debt.

Despite yesterday's deal, Standard & Poor's, the credit rating agency, said it had placed GTE's debt on its surveillance list for possible downgrading.

S&P said the United Telecom agreement was in line with expectations and did not therefore impinge on this move. Rather, the listing reflected its concerns over GTE's progress in reducing financial risk following its $6bn acquisition last March of debt-laden Contel, an operator of local and cellular telephone services.

Weekend FT

Tomorrow:
Sex for sale – how the free market is bringing the slave trade to Armenia
●
Leading economists look ahead to 1992

CONTENTS

Dislocated professionals consider a bleak future

Even as George Bush crosses the Pacific to try to open markets for US products, Americans feel he is neglecting the domestic market, in which the downturn is inflicting job losses on middle-class, middle-aged professionals.
Page 3

MARKETS

STERLING
New York lunchtime:
$1.86705
London:
$1.8575 (1.871)
DM2.855 (2.8375)
FFr9.7475 (9.6975)
SFr2.55 (2.535)
Y232.5 (233.75)
£ index 91.6 (91.4)

GOLD
New York Comex Feb
$353 (355.2)
London:
$352.25 (353.3)

N SEA OIL (Argus)
Brent 15-day
$18.30 (17.825)

Chief price changes yesterday: Page 11

DOLLAR
New York lunchtime:
DM1.52705
FFr5.214
SFr1.364
Y124.4
London:
DM1.5285 (1.517)
FFr5.22 (5.1825)
SFr1.3655 (1.355)
Y124.55 (124.95)
$ index 60.7 (60.8)
US lunchtime rates
Fed Funds: 4½%
3-mo Treasury Bills: 3.93%
Long Bond: 106⅛
yield: 7.46%

STOCK INDICES
FT-SE 100:
2,492.8 (-0.3)
FT-A All-Share:
1,188.4 (-0.1%)
FT-SE Eurotrack 100:
1,078.19 (-1.22)
New York lunchtime:
DJ Ind Av
3,147.21 (-21.02)
S&P Comp
412.95 (-4.13)
Tokyo: Nikkei
Closed

LONDON MONEY
3-month interbank:
10⅞% (11%)
Liffe long gilt future:
Mar 95[illegible] (Mar 95½)

IMF entry some way off for republics

By Leyla Boulton

IT could take at least nine months for Russia to become a member of the International Monetary Fund despite the launch of its radical price reforms, western diplomats and officials said yesterday.

Apart from statistical difficulties – "depending on which exchange rate you use to measure Russia's economic wealth, it can be ranked either with the United Kingdom, Holland or Colombia", explained one western expert – there are also likely to be objections from existing members which risk being supplanted in the IMF's pecking order. Another problem is avoiding offending individual commonwealth republics by admitting say, Russia, long before Ukraine.

In a significant shift in policy, the Bush administration supports full membership of the IMF for Russia and other reformist republics as soon as possible. The shift recognises that the IMF is best placed to shoulder the burden of direct financial aid and to offer expert advice on a comprehensive reform programme.

The IMF's main task now is defining individual republics' so-called quota – this determines a member's capital in the Fund and by definition the amount of money it is allowed to withdraw. The US, with the largest quota, has the biggest influence on the outcome.

An IMF team arrives in Moscow next week for a three week mission to help draw up a shadow economic reform programme for Russia - embracing other essential reform elements such as a budgetary and monetary policy.

The first opportunity for discussion of IMF membership for Russia and other republics will come at a meeting of G7 finance ministers in New York soon. The ministers are expected to discuss Soviet economic problems as well as western interest rate policy.

The former Soviet Union's economic troubles will dominate another international gathering when the Soviet Union's 18 main Paris Club creditors meet in Paris today to finalise an agreement deferring repayment of principal on long and medium-term debts.

Agreement has so far been held up by US demands that Russia should publicly promise not to prop up the foreign banking subsidiaries of Vnesheconombank, debt manager for former Soviet republics. The US is saying that this would be a waste of money saved by western debt concessions, but the demand for a public disavowal of the banks is opposed by European countries with such subsidiaries on their territory, such as Germany, France and Britain.

Most Muscovites set to fall below poverty line

By Anthony Robinson, East Europe Editor

MORE THAN 60 per cent of Muscovites have been pushed below the poverty line in recent months, according to a survey of living standards carried out by the Norwegian trade union research organisation, FAFO International, for Moscow city council. This figure is likely to rise to 85-90 per cent as prices triple in coming weeks, Mr Erik Hansen, head of FAFO's East Europe studies department, warned yesterday.

The report, based on live interviews with 2,500 Muscovites between June and August, says: "We are witnessing a phenomenon so far unknown to sociology: middle income families have overnight been turned into low-income families". Real per capita income of the poorest sections of the population fell by 20 per cent after last April's limited price reforms, while the incomes of middle income households fell 250 per cent "forcing them to learn a new consumption pattern formerly characteristic of low income households".

The report shows that even before the abolition of official prices for all but a handful of basic items this week, the average Moscow household spent 80 per cent of its income on food, while "a significant part of the population spends all its income on food, leaving nothing for the purchase of clothing, footwear, leisure and consumer durables".

Under the former Soviet system, Moscow and St Petersburg (formerly Leningrad) enjoyed significantly higher living standards than most Soviet cities and received priority supplies of food and other products. They have been hit particularly hard by the collapse of the centralised distribution system and cuts in spending on military industries which are big employers in both cities.

The dramatic impoverishment which has reduced much of the middle class to penury now threatens the very survival of the poorest strata of the population, the report indicates. The freeing of prices will hit hardest those like the elderly, the handicapped, the chronically ill and single mothers who are unable to adapt to the new circumstances, it says.

More than 40 per cent of the workforce fear losing their jobs. This proportion reflects the danger accurately, says the report, given that "privatisation of small and medium enterprises, combined with further cutbacks in the standing army and military production could create a reserve army of unemployed in the Moscow region of 25-35 per cent of the present workforce".

Fear of crime and violence is growing, too, as is concern that Moscow, despite its problems, will attract a stream of "refugee-migrants" who will put additional pressure on the city's already overcrowded and inadequate housing, health and other facilities.

Although the report gives a bleak picture of contemporary and future living conditions in the Russian capital, it also indicates that 42 per cent of the overall population, mainly young and better educated, are prepared to face market conditions and are willing to raise their qualifications, invest capital and adapt.

But the dry statistics also reveal that, barring large foreign aid, 1992 could be the most traumatic year for Muscovites and millions of other former Soviet citizens since the collapse of the Soviet economy in 1919.

Soaring prices leave Russians in the cold

By Leyla Boulton in Moscow

A HEAVY snowfall, which emptied the streets and made those who dared to venture out all the more vulnerable, seemed the perfect accompaniment to the harshest economic reform Russia has seen in decades.

Instead of the usual crowd of Muscovites scurrying to work with their ubiquitous shopping bags, just a few braved the snow, suggesting that Russia was taking a second day off in addition to the New Year's public holiday.

But with authorities and citizens alike braced for the worst as President Boris Yeltsin freed prices after 74 years of Communist controls many shops were closed, allegedly for stocktaking. If they were open, the state stores were largely empty - either of customers frightened off by new prices, or of goods because suppliers had not delivered.

Lena, an art historian, on her shopping trip stopped first at her local supermarket, Gastronom number 44, in the same Stalinist skyscraper which houses the Ukraine Hotel. On offer was champagne, going for Rbs121 a bottle, and lots of low-grade sausage at Rbs59 a kilo.

Complaining that until recently such sausage cost just Rbs2.20, Lena, who earns Rbs500 a month (until recently close to the average monthly salary) walked straight out.

Zhenya, a gold-toothed cashier, shrugged her shoulders. "If nobody buys then I suppose we'll have to lower the prices," she said. But her boss, Mr Boris Strukov, the shop manager, said that January was always a "bad month" because people always built up large stocks just before New Year's Eve.

Was Mr Strukov afraid that people could come to turn their shock into anger? Yes, that was one reason why he no longer stocked vodka, since late last year a group of angry shoppers had surrounded a truckload of the stuff demanding that he sell it to them.

Next stop, a bakery on Leningrad Prospekt a cooperative shop selling Lena's favourite Georgian bread.

A pigeon driven in by the cold perched on top of the bread shelves

A pigeon, driven into the bakery by the cold, was perched on top of the bread shelves, where we found the cheapest white loaves costing Rbs1.08, up from 30 kopecks. We each bought one loaf, with a small queue quickly forming behind us.

Then on to the peasant market - where prices have long been high and goods abundant - for vegetables. But the doors of the covered market near Profsoyuznaya (Trade Union) Street were also closed, with only pensioners and other small-time speculators touting items missing from state shops for months, such as coffee (Rbs140 said one old lady).

At another local supermarket the usually well stocked grocery section was sealed off. "The suppliers haven't delivered," said one assistant. Only bread was for sale, and a sign saying people could not buy more than 2kg each. Upstairs, shampoo went for the astronomical sum of Rbs24. Still, Lena bought a bottle, ending her first day of market-priced shopping.

A tripling of petrol prices failed to deter Moscow drivers who formed long queues at filling stations yesterday

Breathtaking silence from the US

By Lionel Barber in Washington

THE historic decision to liberalise prices in Russia and other members of the Commonwealth of former Soviet republics has met with breathtaking silence in the US.

At first glance this is surprising. Successive US administrations have urged Soviet Russia to abandon communism and adopt free markets. Therefore, President Boris Yeltsin's willingness to take steps which President Mikhail Gorbachev shunned ought to have prompted widespread applause.

But the Bush administration remains fearful of backing a programme it believes is technically flawed and President Bush has so far refused to stake any significant political or financial capital on Mr Yeltsin's reforms.

Some conservatives in Washington have criticised the White House for failing to state more clearly its support for Mr Yeltsin. Instead, there have been a spate of leaks about Central Intelligence Agency reports outlining the risk of social chaos this winter in reaction to economic reform.

The administration, however, prefers to stress its willingness to provide humanitarian aid such as food and medicine, to be co-ordinated at an international conference of donor nations in Washington on January 20.

In defence of their own passivity, US officials point out that no one is sure what the effect of the price reform will be, whether it will create regional or local food shortages, or, more probably, lead to brief but painful hyperinflation.

Another cause of scepticism is the quality of Mr Yeltsin's young reform team. Although men such as Mr Yegor Gaidar, Russia's deputy prime minister, draw praise for political courage, doubts remain about their knowledge of a market economy and ability to overcome resistance to reform within the old communist bureaucracy.

One informed observer commented that the Yeltsin/Gaidar plan was "very weak" on budgetary questions, while the monetary aspects were "non-existent". Another senior US official was privately critical of the Russian plan, saying it did not address important questions such as realistic prices for energy.

Despite the criticism, officials point out that price liberalisation has galvanised the administration to support full membership of the International Monetary Fund for Russia, and other reformist republics, as soon as possible. This includes the US Treasury, which opposed membership for the former Soviet Union last autumn.

Full IMF membership would confer the power to borrow funds, in conjunction with a full reform programme. This prospect is "some way off", according to those involved, but that does not prevent important technical advice being given to the republics at present.

Germans queue to see their Stasi files

By Leslie Colitt in Berlin

THOUSANDS of east Germans queued patiently yesterday to find out whether their acquaintances, friends or family members had informed on them to the all-pervasive Stasi security police.

Mr Uwe Kussmann, an east Berlin house painter, and his wife Bärbel were among the first to apply in east Berlin to see the file kept on them by the now-disbanded Stasi, or Ministry of State Security.

The Kussmanns' repeated applications to leave East Germany in the 1980s were rejected, along with those of many other citizens. Both were harassed at their jobs and isolated by their workmates.

Mr Klaus Lange and his wife Ulrike suffered the same treatment at work and were rejected by their colleagues. "Everyone obeyed the Stasi in order to avoid complications," Mr Lange recalled.

Both the Kussmanns and the Langes said the past was not over for them.

"[Erich] Honecker wants to visit his daughter and grandchildren in Chile, but I was never allowed to visit my grandmother in the west," he remarked without bitterness.

Mr Honecker, former leader of East Germany, was given refuge recently in the Chilean embassy in Moscow and would face trial if he were returned to Germany.

Along with other east Berliners, outside an unmarked building in east Berlin's Behrenstrasse, Mr Gerhard Schröder and his wife Helene applied to see their files. The building houses the federal agency administering Stasi information collected on nearly 2m citizens.

In 1964, the Schröders were looking forward to a visit from relatives in West Germany. A stranger approached Mrs Schröder while she was hanging out the laundry. "He wanted to know all about our relatives. I told him he was cheeky and to mind his own business," she said.

From then on, Mr Schröder, who had joined the Communist party in 1961, had trouble at work as a mechanic for Interflug, the East German airline. He left the party in 1970.

When an application by the Schröders for reunion with their relatives in the west was rejected in 1986, they stopped hanging the East German flag from the window of their flat on public holidays – an act of defiance that was reported to the Stasi.

The Schröders now want to find out who informed on them. "It isn't a question of seeking revenge. We simply would ignore the person," he said.

One east German who sought access to his file, a dapper man in his 50s with a moustache and gold-rimmed glasses, refused to give his name, saying only that he was a goldsmith by trade.

"The Stasi is still around so I have to be careful," he said.

He served seven months of pre-trial detention in 1984, on charges of helping someone escape to the west. Although the charges could not be proved, he said, he was forced to sell his home outside Berlin to the Stasi. He displayed photos of a luxurious bungalow with an outdoor swimming pool.

"I know that the man who is illegally occupying my house is a top Stasi officer and I want to get the names of the people responsible for my arrest," he said.

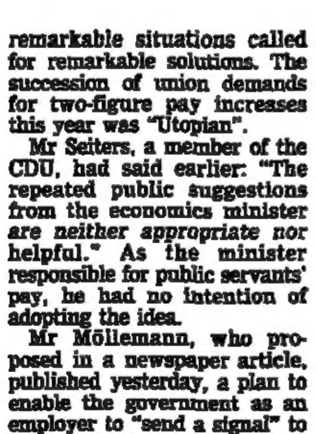
Bonn coalition partners in pay row

By Christopher Parkes in Bonn

MR Jürgen Möllemann, the German economics minister, yesterday demanded a meeting of the ruling coalition parties to debate his call for a statutory limit of 5 per cent on this year's pay rise for civil servants.

Speaking last night after Mr Rudolf Seiters, the interior minister, rejected his proposal and openly rebuked him for interfering, Mr Möllemann said there were precedents, including a nil pay increase in 1982, and a 2 per cent limit the following year.

A coalition meeting would embroil his FDP party chairman, Mr Otto Lambsdorff and Chancellor Helmut Kohl, chairman of the CDU, in a debate which could further aggravate embarrassing tensions between the coalition partners. They are at odds over new social security proposals, environment and fiscal policy.



Rudolf Seiters: rebuke

Mr Lambsdorff yesterday sprang to Mr Möllemann's defence as his proposals drew wide criticism and mockery. Supporting statutory measures, Mr Lambsdorff said remarkable situations called for remarkable solutions. The succession of union demands for two-figure pay increases this year was "Utopian".

Mr Seiters, a member of the CDU, had said earlier: "The repeated public suggestions from the economics minister are neither appropriate nor helpful." As the minister responsible for public servants' pay, he had no intention of adopting the idea.

Mr Möllemann, who proposed in a newspaper article, published yesterday, a plan to enable the government as an employer to "send a signal" to private sector pay negotiators, was attacked by trade union officials who claimed that statutory pay controls were unconstitutional.

"We are really very little interested in the rantings of Mr Möllemann," said the 4m-member IG Metall union. The DGB trade union association remarked that no one took the minister seriously any more, adding that it had no wish to shorten his political career.

White-collar unions, however, warned that Mr Möllemann was asking for strike action if he did not stay out of pay negotiations. Free collective bargaining was a constitutional right and not a football to be kicked around by a minister standing off-side, said the OTV public services union.

Over the past few months, as unions representing steel, banking and public service workers have put in claims for 1992 pay increases of around 10 per cent, Mr Möllemann has repeatedly insisted that all settlements should have "a 4 before the decimal point".

Rejecting the renewed criticism, he said last night that he would prefer to hear constructive alternatives instead.

Bosnia-Hercegovina appeals for peace-keeping troops

By Judy Dempsey, East Europe Correspondent

THE central Yugoslav republic of Bosnia-Hercegovina appealed yesterday to Mr Cyrus Vance, the United Nations envoy, to send international peace-keeping troops there as soon as possible.

The request was made in Sarajevo, the capital of Bosnia-Hercegovina, where Mr Vance was holding talks between the Yugoslav federal army and representatives from the Croatian government.

Both sides discussed how federal army troops could be withdrawn from Croatia, and how a ceasefire could be implemented.

Sending peace-keeping forces is conditional upon a lasting ceasefire in Croatia.

Mr Rusmir Mahmutcehajic, deputy prime minister of Bosnia, said troops should also be sent to Bosnia, "not only to preserve the peace, but to preserve the territorial integrity of the republic".

Last month, Bosnian Serbs, led by Mr Radovan Karadzic, declared a "Serbian Bosnia" in a move which confirmed suspicions that certain Serb-inhabited regions of the republic would try to form the boundaries of a greater Serbia.

Bosnia, despite Serbia's opposition, has, along with the republics of Slovenia, Croatia, and Macedonia, asked for recognition by the European Community. The EC will grant this on January 15, subject to respect for human and ethnic rights, and no forcible change of any of the republics' frontiers.

Bosnian Moslem officials yesterday said they feared that any carve-up of the republic between Serbia and Croatia would lead to bloodshed between its three largest ethnic communities of Moslems, Serbs and Croats.

The 734,000 Croats, organised under the Bosnian equivalent of Croatia's ruling Croatian Democratic Union, are divided between those living in western Hercegovina, who are considering long-term unity with Croatia, and those in multi-ethnic communities in the republic who want to retain its unity.

Bosnian officials want peace-keeping troops to be based around, among other areas, Mostar, in the south of the republic which has been used as a base for federal army attacks on the Croatian resort of Dubrovnik.

Mud flies in fight over Shannon airport's status

Tim Coone on an international gateway that may lose the compulsory stopover that feeds its industry

SHANNON airport, in the west of Ireland, is fighting for its life. At stake is what is known as "the Shannon stopover" and the airport's designated status as the Republic of Ireland's international gateway to the US and Canada.

Last month, the Irish Airline Pilots' Association (IAPA) added its voice to a growing lobby in Ireland for abolishing the stopover, opening the possibility of direct flights between the capital, Dublin, and US cities such as New York, Chicago and Los Angeles.

At present, all transatlantic flights in and out of Ireland must call at Shannon, under a US-Ireland agreement dating back to the 1960s. This, says Captain Donal Lamont, an IAPA leader, is holding back expansion and fleet renewal plans of Aer Lingus, the national carrier.

Most business travellers (the most profitable market segment) to and from the US now go via London's Heathrow, as the latter has direct access to 26 US gateway airports, while Dublin/Shannon only has four.

Aer Lingus operates three ageing Boeing 747 jumbos to Chicago, New York and Boston, but wants to open a route to Los Angeles using two leased Boeing 767s. The jumbos will have to be replaced within five years. But, unless Aer Lingus can win back business travellers, says Capt Lamont, it will be unable to generate enough revenue to renew the fleet, and may even have to curtail some of its transatlantic services this year.

The debate has divided all the main political parties. At stake is the future of the national airline against the economic survival of the Shannon hinterland. Supporters of the stopover claim that as many as 100,000 jobs depend on it, directly or indirectly.

Shannon airport was created out of cow pastures beside the Shannon river in the war years of the 1940s, when propellor-driven aeroplanes on transatlantic journeys needed a refuelling stop on the edge of western Europe. It became the world's first duty-free airport in 1947.

When longer-range jet airliners, not needing Shannon, appeared, the government of the day began to promote tourism in the west of Ireland and established the world's first industrial free zone around the airport.

The airport became the focus of regional development, and the stopover was made compulsory in order to ensure that development continued. Considerable investments have been made in tourism and the electronics industry, and 70 per cent of transatlantic tourists visiting Ireland get off at Shannon.

Mr Foster Kerrison, co-ordinator of the Shannon Status Committee, a group lobbying to keep the airport's position as an international gateway, believes abandonment of the stopover would put an end to all other scheduled services to the airport, on which much of the industry in the region depends. This is despite assurances by Aer Lingus that it will keep a daily transatlantic flight to Shannon throughout the year.

"The airlines would only fly into Shannon when it is profitable," he says – that is, during the summer tourist season. Dublin airport, he adds, would have to invest large sums if US carriers were to open new routes to Ireland, with the possibility of direct flights to Dublin, whereas Shannon is at present working at only half-capacity.

Apart from Delta Airlines, which flies out of Atlanta in the US, Aer Lingus has a virtual monopoly on the Dublin/Shannon-US routes. If other US carriers were to fly directly to Dublin, Aer Lingus could face stiff competition. Says Mr Kerrison: "We are not convinced that Aer Lingus has done its sums correctly."

One alternative under consideration is to develop Shannon as a hub for transatlantic flights from regional UK airports. Few of the latter have scheduled direct services to the US, and travellers must go via the increasingly congested Heathrow or London's Gatwick.

There was an interesting development last month – an agreement by Aer Lingus and one of the former Soviet republics to operate a joint service to the US, using Shannon as a connecting airport. The small republics' airlines only have short-range aircraft but, by using Aer Lingus as the transatlantic carrier, they could contemplate operating routes to the US via Shannon.

Aeroflot, the Soviet national carrier, already has a big refuelling facility at Shannon for its own transatlantic services. Use of that seems to be part of this latest deal.

The stopover debate is likely to be intensified, especially as Mr Seamus Brennan, Irish transport minister, indicated recently that he might be willing to rescind the arrangement if increased traffic to Ireland would result. The two opposing lobbies are not even talking to each other at present, their debate taking place through the media in sometimes vitriolic exchanges. "There are some places I'm afraid to go to in Dublin right now," says Mr Kerrison.

French ports paralysed by 48-hour strike

MOST French ports were paralysed yesterday by a 48-hour strike, Reuter reports from Paris.

The stoppage was the fourth since November, when the government proposed a dock reorganisation involving the loss of 1,760 jobs.

Cargo movement was halted at Marseille, France's largest port, and at the country's main grain port of Rouen on the Seine River. However, in Brittany's ports of Saint Nazaire and Brest, dockers were working as usual.

The government wants to replace the current dock labour system with one under which dockers would become monthly-paid employees. It is ready to pour FFr2bn ($370m) into making the ports more competitive.

The dockers' leaders are expected to present a counter-proposal next week.

The Financial Times (Europe) Ltd Published by The Financial Times (Europe) Ltd., Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenberg 4, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

INTERNATIONAL NEWS

World Bank to call El Salvador aid conference

By Stephen Fidler, Latin America Editor

A CONFERENCE to co-ordinate foreign help for the reconstruction of El Salvador is likely to take place in the next six months, following agreement this week of a peace plan to end a 12-year civil war.

The government of President Alfredo Cristiani tentatively estimates the reconstruction programme will cost $1.8bn over a five-year period, both to repair war damage and to direct extra resources into health and education, particularly in neglected rural areas. The World Bank, which will co-ordinate the aid effort, is expected to call the conference after the ceasefire goes into effect on February 1.

The US, El Salvador's largest aid donor, is likely to play the biggest role in the reconstruction plan, which would also probably involve Canada, Japan, the European Community and others.

There are still details to resolve in the peace accord which took 20 months to reach. On Sunday, the two sides meet to establish a timetable to dissolve the military structure of the Farabundo Marti National Liberation Front, the left-wing opposition guerrillas, and to reincorporate its members to the "political and institutional life of the country". Hours after the agreement was announced, troops clashed with FMLN guerrillas and at least one soldier was killed.

As the country where the Reagan administration in the US declared it would "draw the line" against communism, El Salvador became the recipient of the third largest amount of US aid during the 1980s, after Israel and Egypt.

The military continued to soak up resources through the decade, diverting funds from social spending and public investment, which dropped in 1990 to a meagre 2.3 per cent of gross domestic product.

As well as boosting investment and savings, the government will also have to increase tax revenues. At about 7.8 per cent of GDP in 1990, tax revenues are among the lowest in Latin America.

Before the civil war, El Salvador sustained economic growth for three decades. This proved insufficient to guarantee security largely because of the high concentration of income, wealth and land and the enforcement of this by military repression.

Since then, there have been some successes with land reform, and remittances from the large number of Salvadoreans living in the US, which benefit half of all the families in El Salvador, have had an impact on income distribution. But distribution issues will remain critical, along with economic diversification.

El Salvador is the most densely populated country in Latin America and its long-term growth is likely to depend on a further diversification away from agriculture.

The government's economic reform programme is supported by the International Monetary Fund and has been described by the World Bank as "one of the most ambitious reform efforts in Latin America." Although this included safety nets, there remain concerns about the impact of the programme on the poor.

While there is some capacity for a return of flight capital, El Salvador will be heavily dependent on foreign funds.

With foreign debt of $1.86bn, 70 per cent of which is concessional, El Salvador's debt burden is among the lowest in Latin America and may be expanded. However, it will be heavily dependent on the friendly countries, in particular the US, which have pledged support for reconstruction. Whether that support will be forthcoming, for a poor country of 5m people no longer seen as having much strategic importance, is another matter.

An orthodox Jew prays at the Western (Wailing) wall yesterday in the heaviest snowfall for more than 30 years. Jerusalem was covered in places to a depth of up to 16 inches.

Dislocated professionals consider a bleak future

Nancy Dunne on the white-collar crisis brought on by America's longest downturn since the 1930s

EVEN UNDER grey winter skies, the US recession seems far removed from the wealthy enclave of sprawling summer homes and condominiums on South Carolina's lush Hilton Head Island. Business is brisk at the local pottery store, where tourists are hunting bargains at a "half-price" sale.

"The recession is not the problem," says the shop manager. "It's jobs."

She gestures towards the inventory, imported from Portugal and China. Americans could produce the same pots, she says, but those jobs – like thousands of others – have gone elsewhere.

At that moment, President George Bush was flying across the Pacific to try to open markets for US products. Even so, the shop manager felt he was neglecting the US domestic market, in which well-paid Americans once provided the base of US prosperity.

Polls show the manager's concern is shared by Americans across the country. Job losses – or fear of them – cast a long shadow. The president's quest for "jobs, jobs, jobs" through exports seems to offer only distant promise.

Official government statistics suggest that this, the ninth US recession since the 1930s, is less severe than its predecessors. The Bureau of Labour Statistics says the total number of unemployed – 8.5m – is less than it was a year ago and lower than at similar points in the 1981 and 1973 recessions.

But it is the longest downturn since the Great Depression and is reaching beyond those manufacturing workers who are accustomed to lay-offs. The restructuring of the services sector and the trimming of management in the country's leading industries has inflicted job losses on middle-class, middle-aged managers and professionals.

In November, 16 months after the US economy officially went into recession, employment of managers, technicians and other white-collar workers had fallen by 209,000, according to the Labour Department Household Survey. The same group had gained 836,000 jobs 16 months after the recession that began in 1981, and 794,000 after the one that started in November 1973.

There is, however, widespread scepticism about the official unemployment figures. Mr Howard Rosen, a research associate at the International Institute of Economics, said the Labour Department figures tend to count only the "immediately unemployed". The long-term jobless are less likely to be included.

One who would not be counted is Mr George Proper, 57, a former personnel director, who related a bleak saga of his job searches to the Congressional joint economic committee.

"This is not just a crisis of the unemployed," he said. "It is a crisis of the middle class, and the middle-management employees throughout the United States."

When he lost his job in 1984, Mr Proper sent out hundreds of curricula vitae but failed to get one offer. Declared a "dislocated worker" by New York state, he was retrained as a typesetter. This new profession lasted until December when the system in which he was trained became obsolete. He was retrained again to operate computers in five areas of software, but computer-operator jobs go mostly to women.

Mr Proper went back to college and earned a master's degree in theology, hopeful of a job in counselling or administration in a church parish. Most interviewers now say he is "over-qualified".

American college graduates, who once viewed a diploma as a passport to a secure future, are also getting a cool reception in the job market. A Northwestern University survey concluded that 1992 college graduates will face the worst job market in 20 years. "An overwhelming 69 per cent of corporations expect their business to decline or – at best – stay even during the new year," said Mr Victor Lindquist, author of the survey.

More middle-class job cuts are still to come. The 74,000 job losses – many of them white-collar – at General Motors make up one of the most recent examples. These losses mean declining tax receipts and further lay-offs in state and local government.

Many white-collar workers will never regain good jobs. Mr Proper is now working as a clerk-typist for the Kelly Girl temporary employment agency, earning $10 (£5.40) an hour – not quite enough to cover his mortgage. His wife and two grown-up, college-educated daughters contribute to the family income with their own modest wages from clerical jobs.

Mr Proper says he will mark time to survive until he reaches 62 and can supplement his income with a state pension – "and then I will work until I die."

Libya threatens foreign payment delays

LIBYA is threatening delays in its foreign payments as a weapon to deter further economic sanctions, diplomats and Libyan officials said yesterday, Reuter reports from Tunis.

The Central Bank of Libya, commenting on Wednesday on the routine renewal of US sanctions, said the restrictions could make it impossible for Libya to pay foreign companies and workers or contribute to international organisations.

But foreign businessmen in Tripoli said the Libyan government had given no sign that payments would be held up. According to the representative of one European company: "Contracts are being carried out normally and I don't expect that there will be any disruption immediately."

A Libyan banker, who asked not to be named, said the US decision last week to extend sanctions for six months was no different from extensions Washington has announced at six-monthly intervals since 1986. The sanctions freeze Libyan assets in US banks and ban trade with or travel to Libya by US companies or individuals.

The central bank, however, portrayed the renewal as an escalation in the dispute between Tripoli and Washington over the bombing of a Pan Am airliner over Lockerbie, Scotland in 1988.

The US and Britain have accused two Libyan agents of planting explosives aboard the aircraft and have demanded that Libya extradite the men to stand trial in the west.

Washington is considering further measures against Libya, not excluding military action, if the men are not extradited. Diplomats said that as a precaution Libya had transferred billions of dollars from banks in Europe to banks in the Middle East.

Libyan officials have said privately that contracts with European companies could be used as to deter Europe from following the US lead in applying new sanctions.

The main European countries targeted are Italy, France, Belgium and Germany. South Korean and Turkish companies also have large contracts with Libya.

Protesters march in Algiers

By Francis Ghilès in Algiers

SOME of the loudest cheers yesterday, during a 200,000-strong demonstration in Algiers, were reserved for the police helicopters flying over the crowd in a clear blue sky.

Mr Hocine Ait Ahmed, leader of the lay opposition party, the Socialist Forces Front (FFS), had called on all Algerians to demonstrate peacefully yesterday to defend democracy.

The cheers for the police reflected the force's recent strong action against members of the opposition Islamic Salvation Front (FIS), which won 188 seats outright in the first round of the general election last week.

In doing so, the FIS put itself far ahead of all other parties but the final composition of the national assembly will not be resolved until a second round on January 16.

The march, during which riot police guarded main public buildings but generally maintained a discreet presence, was joined by many supporters of the National Liberation Front (FLN). It had held a monopoly of power until the riots of October 1988 but last week only picked up 15 seats.

Many workers and supporters of smaller parties were also on the march.

Marchers, including many young people and women, chanted "Happy New Year to democracy", "Let us save Algeria", and "We are against the forces of sadness".

Banners reflected the new-found freedom of expression in this country, which many Algerians fear will be suppressed if the FIS wins a majority of seats after the second round.

US purchasing data point to decline in manufacturing

THE US manufacturing economy declined in December and overall economic growth was sharply lower, according to the National Association of Purchasing Management (NAPM), Reuter reports from Tempe, Arizona.

The Purchasing Managers' Index (PMI) fell to 46.5 per cent from 50.1 per cent in November. A reading above 50 per cent indicates that the manufacturing economy is generally expanding, while one below 50 per cent is a sign it is generally declining.

NAPM said the survey was below the key 50 per cent level for the first time since June, when it rose to 50.9 per cent.

"The overall economy's growth in December was the weakest since it emerged from the recession in May 1991," said Mr Robert Bretz, chairman of the NAPM survey committee.

NAPM said the third consecutive monthly drop in new order growth rates helped push the index lower.

"Three straight months of lower growth rates for new orders ended in a decline in December and pulled all of the other indicators down with it," Mr Bretz said. The new orders index fell to 49.9 per cent, down from 53.4 per cent in November, and the lowest since 45.9 per cent in April.

Mr Bretz added: "Cautious manufacturers seem ready to wait for an increase in new orders before expanding production, a scenario which suggests a continuation of the economic malaise into the first quarter of 1992."

The PMI index averaged 47.2 per cent for all of 1991. Experience indicates that this rate is consistent with a 1 per cent rise in real domestic growth for all 1991, Mr Bretz said.

The PMI index started 1991 with a 37.7 per cent reading in January. In December 1990, the index was 40.5 per cent.

In December, employment fell for the 35th consecutive month, NAPM said, as its employment index fell to 39.6 per cent. That was down from 44.4 per cent in November and the lowest since May's reading of 37 per cent.

But prices rose in December for the third consecutive month, with NAPM's price index slipping to 50.4 per cent from 51.3 per cent in the previous month.

Jamaican minister replaced

By Canute James in Kingston

MR Percival Patterson, Jamaica's finance minister, has been replaced in a cabinet reshuffle announced by Mr Michael Manley, the prime minister.

Mr Patterson, who was also the deputy prime minister, leaves the cabinet. The new finance minister is Mr Hugh Small, previously the industry minister.

The cabinet and all junior ministers had offered their resignations last week to allow Mr Manley to change portfolios. Mr Patterson subsequently told the prime minister that he did not want to be considered for a cabinet post.

Mr Patterson has been under pressure to resign since he authorised a waiver of import duties for an oil company headed by a member of the executive of the ruling People's National Party. An earlier casualty of the furore over the waiver was Mr Horace Clarke, the energy minister, who resigned last week.

Mr Patterson's resignation is a setback in a career in which the next step was expected to be the prime ministership, with indications that Mr Manley would step down this year. Government sources say Mr Manley is now likely to delay his departure.

Nigerian elected governors sworn in

To shouts of "long live Nigeria", elected state governors took over from military officers yesterday at the start of a crucial period of power-sharing in Africa's most populous country, Reuter reports from Lagos.

The governors were elected in all 30 states last month after bitter primaries involving two military-created parties. This is the spearhead of a full return to civilian rule by the end of 1992 – after national assembly and presidential elections.

NEWS IN BRIEF

Iraq frees jailed US businessmen

IRAQ yesterday freed two US businessmen and a Filipino held in a Baghdad jail since December 6 after straying across the border from Kuwait, Reuter reports from Baghdad. Polish diplomats who represent the US in Baghdad said: "We received the men...everything is well." The Americans, Mr David Martin and Mr Jim Aduddel, and the unnamed Filipino, who was working for them, will return to Kuwait today.

The Iraqi authorities dropped charges of illegal entry against the three men in a brief court hearing on Tuesday. The US embassy in Kuwait said the men had been exploring the demilitarised zone between Iraq and Kuwait to bid on a contract. The Polish embassy has relayed US protests to Iraq.

Saudi Arabian budget delayed

Saudi Arabia's budget has been delayed, but is expected to be announced within a few days, writes Mark Nicholson. The budget, traditionally announced on New Year's eve, will be the first in two years. The kingdom failed to publish a budget in 1991, saying the dislocation and extra spending caused by the Gulf crisis made it impossible to make accurate financial projections.

Bankers and diplomats in Riyadh said they were certain the budget would be published within days. "They're just taking their time," said one diplomat. The kingdom last year operated on the basis of 1990 budget figures that projected a deficit of SR25bn ($6.6bn) after expenditure of SR143bn. The Saudi Press agency, quoting King Fahd, said the kingdom would run a deficit in 1992 of SR30bn, following a rise in spending of 26.6 per cent to SR181bn.

Aquino aide to run for president

Mr Fidel Ramos, the former defence secretary who helped install Mrs Corazon Aquino as president and then crushed seven coup attempts against her, declared his candidacy for president yesterday, AP reports from Manila.

Mr Ramos, 63, launched his campaign after his newly organised "People Power" party unanimously chose him as its standard bearer in the May 11 election. The West Point graduate is seeking Mrs Aquino's endorsement despite opposition to his candidacy from the influential Roman Catholic hierarchy.

India to fence Pakistan border

India is to fence off with barbed wire its entire border with Pakistan, Mr P.V. Narasimha Rao, India's prime minister, said, writes K.K. Sharma in New Delhi. The Pakistan border with the Indian states of Punjab and Kashmir borders is already fenced. The barrier will now be extended to the border with Rajasthan and Gujarat. Mr Rao has accused Pakistan of waging a proxy war with India in Punjab and Kashmir.

S African post offices bombed

Bombs destroyed two post offices in South Africa yesterday in what police said appeared to be the latest in a wave of bombings by white right-wing extremists, AP reports. The attacks, in Krugersdorp, west of Johannesburg, and Verwoerdburg near Pretoria, caused extensive damage. No one was hurt.

Kenya defector to launch second opposition party

By Julian Ozanne in Nairobi

MR MWAI KIBAKI, one of Kenya's most prominent politicians, who resigned last week from the cabinet, yesterday branded President Daniel arap Moi a dictator and said he would formally launch a second new opposition party next week.

The Democratic Party joins the Forum for the Restoration of Democracy (FORD) in a prospective challenge to the ruling Kenya African National Union (Kanu) at forthcoming multi-party general elections.

It was unclear yesterday how many of the recent defectors from Mr Moi's government would join the Democratic Party, but it is increasingly apparent that the formation of a new party has dealt a severe blow to Mr Moi and has hastened the fragmentation of Kanu.

Together, both parties will raise a formidable challenge to Mr Moi in the election this year, particularly in the critical Central Province, the homeland of the large and wealthy Kikuyu tribe.

The resignation from the government of five Kikuyu politicians in the past week has demonstrated what little support Kanu has in Central Province, which contains about a quarter of Kenya's population.

Questions remain about the credibility of many of the defectors who served for years under President Moi without having raised their voices in support of allegations of corruption, ballot-rigging and authoritarianism which have tarnished the Kanu government.

However, the momentum appears to favour the opposition. Kanu, for the moment, seems incapable of the overhaul and cleansing needed if it is to face a critical electorate.

Concerns about political stability are also being raised, given the continuing inability of the government to quell bitter tribal clashes over land in the Trans Nzoia district of western Kenya.

Japanese trade houses suffer tax penalties

JAPAN'S leading trading houses, Sumitomo Corporation and Nissho Iwai Corporation, each evaded at least Y1bn (£4.27m) in taxes between March 1987 and March 1989, a Japanese news agency reported, Reuter writes from Tokyo.

Kyodo news agency said on Wednesday the Osaka Regional Taxation Bureau had imposed additional corporate taxes of more than Y1bn on each of the companies because it had identified that they intentionally evaded taxes.

The companies had made tax payments several times since the bureau investigated the unpaid taxes, Kyodo said.

Kyodo said that during those years Sumitomo had declared income of about Y120bn and Nissho Iwai about Y46.5bn.

Neither Sumitomo nor Nissho Iwai was immediately available for comment.

Tokyo's stock market is closed today for New Year holidays and reopens on Monday, January 6.

New UN chief takes over from Pérez de Cuéllar

Ghali pledges to fight for human rights

MR Boutros Boutros Ghali of Egypt formally took over from Mr Javier Pérez de Cuéllar yesterday as the sixth secretary-general of the United Nations and pledged to create a new momentum for peacemaking and "above all" defend human rights and democracy all over the world, Reuter reports from New York.

The first secretary-general from Africa, Mr Ghali said he wanted to "create a new momentum" that would help the UN play "a more important role in peace-keeping, peace-building, economic and social co-operation and above all defending human rights and the democratic institutions all over the world."

Mr Ghali stayed away from the UN complex on New Year's Eve to allow his predecessor, Mr Pérez de Cuellar of Peru, to crown his diplomatic career with a peace accord for El Salvador, which he worked on until the clock struck 12.

While the new secretary greeted his cabinet and a host of under secretary-generals warmly, it is not clear which of them will survive an expected major reform of the bureaucracy.

A group of diplomats, led by Australian ambassador Mr Peter Wilenski, has already given him a host of suggestions for trimming top posts and appointing four deputies in an effort to streamline the organisation.

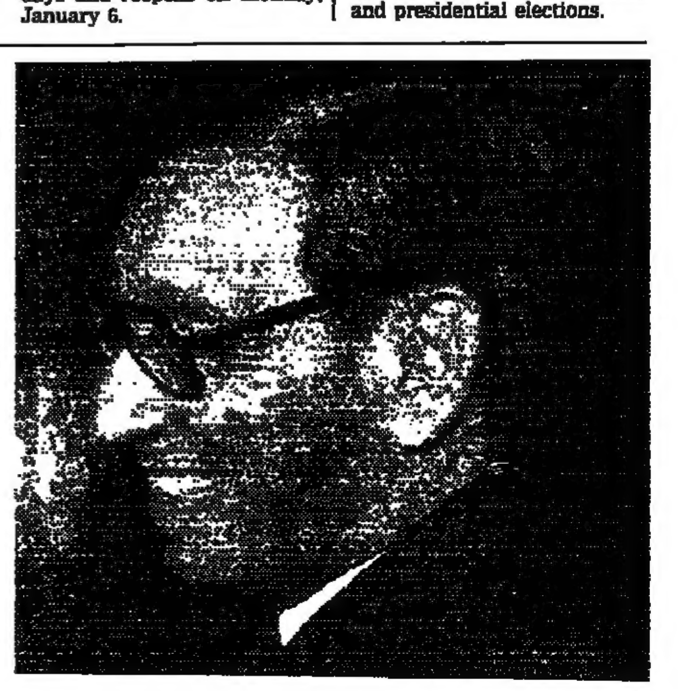
President George Bush in talks with Mr Ghali after his November election put his weight behind the Wilenski proposals and changes are expected next month.

Mr Ghali comes to his UN job with impressive credentials. He was Egypt's deputy foreign minister for 14 years and recently its deputy prime minister.

He also played a pivotal role in forging the 1979 Camp David peace accords between Egypt and Israel, although the Israelis criticised him as a hardliner.

Mr Ghali is known as a technocrat who avoids the limelight despite considerable foreign policy achievements. As an Egyptian he can claim to be both Arab and African. He is also a Coptic Christian from a mainly Moslem country and married to an Egyptian Jew, who converted to his religion.

Mr Ghali must pick up the pieces left over from the old order, as in Cambodia and Afghanistan, and deal with a new era of ethnic warfare in Yugoslavia and the break-up of the Soviet Union.



APPOINTMENTS

Logica loses Hollick

An increasingly bulging schedule has prompted Clive Hollick, chief executive of financial services conglomerate MAI and labour peer, to step down as non-executive director of Logica, the computer services company.

On Logica's board since 1987, the 46-year old Lord Hollick had been valued for his financial savvy - "his sharp and open commercial mind", the company says, *was a useful* balance to the wisdom of the in-house computer boffins.

Hollick cites competing claims on his time following his appointment as a non-executive director of British Aerospace. Sir Graham Day, interim chairman of BAe, is deputy chairman of MAI.

Hollick is also being kept busy in other directions. Neil Kinnock named him a Labour peer last year, in recognition of his contribution in setting up the left wing think-tank, the Institute for Public Policy Research; and he says he intends to play an active part in the Lords.

At the same time, Meridian Broadcasting, which is controlled by MAI, won the south of England franchise in last year's bidding for the re-allocation of commercial television licences; this represents a significant departure for Hollick's business interests.

■ **Nicholas Walker** is promoted to finance director of MAGNETIC MATERIALS Group.
■ **Geoff Thomas** has been promoted to sales and marketing director of BOSTIK.
■ **David Daley**, human resources director of MSAS Cargo International since 1986, is appointed to group personnel director of the OCEAN Group.
■ **Jane Tucker** is promoted to the board of BURSON-MARSTELLER London.
□ **David Fitchett** is promoted to finance director of WHOLESALE FITTINGS.

Departures

■ ***Michael Maughan*** *and* **Charles Parnell** have retired from STURGE HOLDINGS.
■ **Maureen Gillespie**, a divisional md, has left The ROWLAND Company.
■ **Roy Filer** has retired from WHOLESALE FITTINGS.
■ **Sir Peter Thornton** has retired from The LAIRD Group.
■ **John Trott** has resigned from KLEINWORT Overseas Investment Trust.
■ **Norman King** has retired on health grounds from ELECTROCOMPONENTS; he remains a non-executive.

Moves in finance

■ **Kenneth Andrew** has become md of AETNA FINANCIAL MANAGEMENT INTERNATIONAL on the retirement of James Bailey.
■ **Iain Allan**, a visiting professor at the City University, has been appointed a director of SCOTTISH AMICABLE Investment Managers; he is moving from UBS Phillips and Drew.
■ **Michael Glover** is appointed a director of GROSVENOR DEVELOPMENT CAPITAL.
■ **Dulce Merritt** is appointed md of REED ACCOUNTANCY.
■ **Clive Deadman**, director of corporate finance of Rickard & Co, is to be a fund manager for ECOTEC environmental fund based in Birmingham.
■ **Thomas Wacker**, formerly chairman of Royal Trust International, has become chairman and chief executive officer of IFG International.
■ **Toshiki Tobe** is the new md of IBJ International; he replaces Osamu Kurihara, who is returning to Tokyo.
■ **Clive Jenkins**, formerly chief manager for the Middle East and Africa for Lloyds, has been appointed general manager of the London branch of the ARAB NATIONAL BANK.
■ **PORTMAN** Building Society has appointed Robert Mann a director and group secretary, and David Gibson as group finance director.

FT LAW REPORTS

Digest of Michaelmas Term cases

HARBOUR ASSURANCE CO (UK) LTD v KANSA GENERAL INTERNATIONAL INSURANCE CO LTD AND OTHERS
(FT, October 15)

The plaintiff claimed a declaration that it was not liable to the defendants under allegedly illegal retrocession agreements on the ground that they had carried on unauthorised insurance or reinsurance business in breach of the Insurance Companies Acts. The defendants contested the allegations and sought that the proceedings be stayed under section 1 of the Arbitration Act 1975. They argued that the arbitration was a severable and self-contained agreement that survived the hypothetical illegality. On a preliminary issue as to whether an arbitration clause calling for all disputes to be referred to arbitration was null and void by reason of the illegality, Mr Justice Steyn stated that an issue of initial illegality was always beyond the arbitrator's jurisdiction (see Smith, Coney & Barrett v Becker Gray & Co [1916] 2 Ch 86). *While the distinction* between initial invalidity and illegality was not one which should nowadays prevail, Gray compelled the court to hold that the principle of separability did not extend to *ab initio* illegality of the contract in which the arbitration clause was embedded. The application for a stay of the illegality issue would be dismissed.

MARC RICH & CO AG v SOCIETA ITALIANA IMPIANTI PA
(FT, October 16)

The Court of Appeal referred to the European Court a question on a preliminary ruling concerning the first paragraph of the Convention which provided that it was to apply in civil and commercial matters but, under Article 1(4), did not apply to arbitration. The question was whether 1(4) extended to (a) any litigation or judgments and, if so, (b) to litigation or judgments where the initial existence of an arbitration *agreement was in issue*. The court decided that by excluding arbitration from the scope of the Convention on the ground that it was already covered by international conventions, it followed that the contracting parties intended to exclude arbitration in its entirety, including proceedings brought before national courts. Appointment of an arbitrator by a national court was a measure adopted by the state as part of the process of setting arbitration proceedings in motion. Such a measure therefore came within the sphere of arbitration and was covered by the exclusion in Article 1(4) of the Convention.

ROSSEEL NV v ORIENTAL COMMERCIAL AND SHIPPING (UK) LTD AND OTHERS
(FT, October 18)

The plaintiffs, who were judgment debtors, obtained a charging order over property, allegedly owned beneficially by a Mr Bokhari, pursuant to the *Charging Orders Act 1979 and* Order 50 rule 1 of RSC. That order was discharged on application of members of the Hitta family who claimed to be legal and beneficial owners of the property. Rosseel argued that although the family owned legal title of the property, the whole beneficial interest was held by Mr Bokhari and that the transaction transferring ownership was a sham. *Allowing Rosseel's appeal against* the discharge of the order, the Court of Appeal stated that where there was a real dispute it was necessary, in order to do justice, that an issue should be tried. The court could, in the exercise of its power to regulate its own procedure, direct such an issue. It could not be accepted that the direction of an issue would be hardship on the Hitta family; there was no hardship if, *having made a* claim which on its face was highly suspect, they were called upon to discharge the burden or take the consequences.

KENNETH ALLISON LTD v A E LIMEHOUSE & CO
(FT, October 22)

The plaintiff issued a writ against the defendant firm of accountants and the senior partner's personal assistant, after referring the matter to him, said that she had been authorised to accept the writ. The defendants succeeded at *first instance and in the Court* of Appeal (Lord Donaldson dissenting) in their contention that the writ had not been duly served. Allowing the plaintiffs' appeal, the House of Lords stated that the crucial question was whether the express provision in the Rules for consensual service in contract cases excluded consensual service in any other case. In the light of *the legislative* history it did not. Lord Donaldson had summed the matter up correctly when he said that the Rules were the servants of the courts and of their customers, not their master, except where expressed *in a wholly* mandatory and exclusive fashion. The Rules concerned with the service of writs were not so expressed.

CURACAO TRADING CO BV v J HARKISANDAS & CO
(FT, October 23)

An umpire was appointed under the Rules of the International General Produce Association *(IGPA) in a dispute over* a contract in which the sellers had failed to deliver. They provided that an umpire could make an interim award which the appeal committee had power to reassess or amend. Rule 132(a) provided that whenever it was decided that a party had failed to fulfil the contract terms, the arbitrators were to base the invoicing back price on the estimated market value ruling on the day of default. In his first award, the umpire found in the buyers' favour; his award was upheld by the IGPA appeal committee which also stated that the contract should be closed in accordance with Rule 132(a). The sellers objected on the ground that the arbitration procedure had been exhausted but a second award was made under that Rule and the buyers were given leave *to enforce it* as a judgment. Refusing application to set aside the order, Mr Justice Hirst stated that it was fully consistent with Rule 132(a) that the appeal committee's direction that the contract should be closed in accordance with that Rule should be fulfilled at a further hearing before the original umpire.

INDIAN GRACE
(FT, October 25)

The cargo-owners claimed from the shipowners for 136m rupees for the total loss of the whole cargo after 51 shells had been jettisoned as result of a fire in the hold. That claim was agreed to be subject to English law and jurisdiction. They also gave notice of a smaller claim seeking damages for the 51 shells not delivered in the court in Cochin which concluded that the shipowners were liable for short delivery. Six months later the writ in the English action was served but was struck out on the grounds that the cause of action was the same as that in the Indian action; and that section 34 of the Civil Jurisdiction and Judgments Act 1982 was an absolute bar to bringing proceedings. Dismissing the cargo-owners' appeal, the Court of Appeal stated that Section 34 of the 1982 Act provided that no proceedings might be brought by a person in the UK on a cause of action in respect of which a judgment had been given in his favour in foreign proceedings between the same parties, unless that judgment was not enforceable or entitled to recognition in the UK. Parties could not, by agreement or by reservation, confer on the court a jurisdiction of which it had been deprived by statute.

CARGILL SRL MILAN v P KADINOPOLOUS SA
(FT, October 29)

The plaintiffs were buyers of a cargo of wheat from the defendants on Gafta Form 64 but they rejected the cargo on its arrival in Sicily. An arbitrator was appointed who held in his absolute discretion, in an "interim award", that the claim had been deemed to have lapsed, been withdrawn or abandoned. The sellers then appealed to the Gafta Board of Appeal invoking Rule 8.2 which stated that if a party were dissatisfied with an award, a right of appeal lay to the Board. The Board then allowed the arbitration to proceed. The buyers unsuccessfully contended before the High Court and the Court of Appeal that the arbitrator's decision that the claim was withdrawn was not an arbitration award so that there was in fact no right of appeal. Dismissing a further appeal, the House of Lords held (a) that *although the arbitrator's* decision did not determine the merits of the claim, it did finally dispose of the matters in dispute and that such a determination was properly the subject matter of an award; and (b) under Rule 8.2 a party had a right to appeal if dissatisfied with an award and the appeal correctly took the form of a re-hearing so that the Board of Appeal had jurisdiction to substitute its own discretion for that of the arbitrator.

Aviva Golden

BUSINESSES FOR SALE

COMMERCIAL PROPERTY

LEGAL NOTICES

GHIA HOSIERY LIMITED IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at the offices of Cork Gully, Abacus House, 32 Friar Lane, Leicester on 17 January 1992 at 10 30 am, for the purposes of having laid before it the report prepared by the Administrative Receivers in accordance with the said Section and, if thought fit, appoint a committee. Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless the other person is subject to bankruptcy order or in liquidation).

Creditors wishing to vote at the meeting must lodge a written statement of claim with us at Cork Gully, Abacus House, 32 Friar Lane, Leicester, LE1 5RA no later than noon on 16 January 1992. Forms of proxy which, if intended to be used, must be lodged with us by that time.

DATED this 23 day of December 1991
L ROBERT BAILEY AND STEPHEN J TAYLOR
Joint Administrative Receivers

No. 0012979 of 1991
In the High Court of Justice
Chancery Division

IN THE MATTER OF
NORTHERN COMPRESSORS LIMITED
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice [Chancery Division] dated the Second day of December 1991 confirming the reduction of the capital of the above named Company from £1,300,000 to £786,902 and the Minute approved by the Court showing with respect to the capital of the Company as altered the general particulars required by the above mentioned Act was registered by the Registrar of Companies on the 23rd day of December 1991.

Dated this 24th day of December 1991

Hewitt Brown-Humes & Hare
5 Market Place,
Bishop Auckland,
County Durham DL14 7NW
Solicitors for the above named Company

LOALAND LIMITED
Registered number: 646160

Nature of business: Building contractors
Trade classification: 23
Date of appointment of administrative receivers: 17 December 1991
Name of person appointing the administrative receivers: Lloyds Bank Plc

J M Iredale & N J Vooght
of Orchard House
10 Albion Place
Maidstone
Kent ME14 5DZ

UK NEWS

Labour claims tax burden has increased

By Ralph Atkins

THE government suppressed figures showing how the poll tax has made significantly worse the rising burden of taxation on average UK families, Labour claimed last night.

After asking for the figures for more than a year, the party has obtained Treasury data showing the impact on typical households of the poll tax as well as income tax, national insurance contributions, VAT and other indirect taxes.

They show that only single person households or families on above average earnings are paying a smaller percentage of their incomes in tax than at the end of the last Labour government in 1979.

Labour first asked for the figures in July 1990. But Mr Peter Lilley, then financial secretary to the Treasury, delayed publication until data on the poll tax bills actually paid was published last month.

Mrs Margaret Beckett, Treasury spokeswoman, said: "I don't think there is any doubt that the government wanted to suppress the fact that the poll tax had added to an existing trend."

Previously the government has admitted that the total tax burden, excluding the poll tax, has risen for many households, undermining Tory claims to be the party of lower taxation. The latest figures which include figures for old rates system for earlier, is likely to embarrass ministers still further. Officials warned, however, that the estimates including the poll tax were only "approximate".

Margaret Beckett: figures were suppressed

The rise in VAT in last March's budget, which has not been included in the latest figures, almost certainly means the trend will continue.

Labour used the figures to intensify its attacks on the government's handling of the economy. Mr Tony Blair, employment spokesman, said the government's credibility "has been shot to pieces, first by the creation of the recession, and then by its arrogant misjudgment of its depth and extent."

According to the figures, a married couple on average earnings with two children paid 35.2 per cent of their gross earnings in tax in 1978-79. By 1990-91 that had risen to 37.5 per cent on average earnings of £306.20 a week.

Survey to question doctors on service

By Alan Pike, Social Affairs Correspondent

ALL BRITAIN'S 36,000 doctors working in general practice are to be questioned in a survey which could reshape important aspects of the family doctor service.

The British Medical Association will use the results of the survey in negotiations with the government on future developments in general practice.

A number of controversial and politically sensitive questions will be raised, including asking family doctors whether they endorse the BMA's policy of opposition to GP fund-holding under the government's health reforms, and whether there are circumstances in which they would support patients paying for consultations with their doctors.

Family doctors have until the beginning of next month to complete the survey, and the results will be reported to a special conference of the BMA's general medical services committee in June. Publication of the results could coincide with the general election campaign, in which the future of the National Health Service is expected to play a prominent part.

The survey will ask family doctors whether there should be changes in their present contractual responsibilities to provide patients with medical cover for 24-hours a day. If doctors favour changing the current arrangements, the possibilities of establishing local primary care emergency centres or stationing GPs in accident and emergency departments of hospitals are suggested.

Duracell to cut 320 jobs at UK site

By John Thornhill

DURACELL, the US battery group, is to shed 320 jobs in the UK as it rationalises its European manufacturing and distribution operations.

The company will wind down its components manufacturing plant in south England by August 1992 and transfer production to one centre at Aarschot, in Belgium, where Duracell already runs the world's biggest alkaline battery factory.

The company had been considering the move for many months but only decided to close the plant in Crawley, Sussex after it failed to find sufficient space to expand capacity.

The move, which will lead to 300 job losses, is expected to cost £7m but will subsequently result in reduced management and distribution costs.

Mr Mike Amos, director of human resources, said: "For many years we have had a plant in Crawley with its only major customer in Belgium and have been exporting product across the channel to be manufactured and distributed - some of it back to the UK. It does not make a lot of sense."

In total, Duracell employs 750 people in the UK with 650 based in Crawley. It said it wanted to implement the plant closure in a "socially responsible way".

Duracell will retain its European head office and technical centre in Crawley, where it has been based for 30 years, but will lose a further 20 jobs in its UK warehouse.

Like many other manufacturing companies in the run-up to the creation of the single market, Duracell is concentrating its European distribution functions in one centre. It is to close its national warehouses in the UK, Benelux, Germany and France and establish a single mid-European distribution centre, in Kampenhout, Belgium.

The Connecticut-based Duracell was taken private in 1988 after a leveraged buy-out staged by Kohlberg Kravis Roberts, the US specialist investment firm. Duracell claims to have expanded its share of the European battery market in recent years and now controls 25 per cent of the total market with a 47 per cent share of the alkaline battery segment.

Economic Trends survey

Increase in personal wealth

By Richard Evans

TOTAL personal wealth in the UK increased more than five-fold between 1976 and 1989, with occupational pensions taking a sharply rising share, according to government statistics.

The total, including marketable wealth plus occupational and state pension rights, rose from £500bn to around £2,600bn over the period, the Central Statistical Office says in Economic Trends published yesterday.

Within the total, the percentage share attributable to occupational pensions increased significantly, but the share attributable to state pensions fell slightly.

Over the 13 years, there was little change in the overall distribution of marketable wealth of individuals. The share of the top 1 per cent reduced slightly, while that of the upper quartile increased a little. The top 1 per cent owned 21 per cent of the country's wealth in 1976 compared with 18 per cent in 1989, while the top 25 per cent owned 71 per cent in 1976 and 75 per cent in 1989.

No large change in the distribution of wealth is shown over the period, but it was slightly more evenly distributed in the early 1980s than in either the second half of the 1970s or the late 1980s.

Another study shows London and the south east of England continuing to have more than their fair share of the national economic cake, though they experienced below average growth in 1990.

Provisional figures for gross domestic product (GDP) per head of population showed wide variations throughout the country, with London at the top of the scale with £10,400 and the rest of the south east with £9,300.

The highest GDP per head outside the south-east in 1990 was East Anglia with £8,400, followed by the East Midlands with £8,100. The lowest was in Northern Ireland at £6,200 per head and Wales at £7,000.

The figures suggest a broad continuation of long term trends except that the south east experienced below average growth, while Yorkshire and Humberside appear to have grown more rapidly.

Over the last 10 years there has been a significant variation in the economic performance of various regions. The growth in GDP was most rapid in East Anglia followed by the rest of the south east and the south west. The north west, north and Scotland have grown less strongly, and these regions contributed a lower proportion of UK total GDP in 1990 than 10 years earlier.

London's position at the top of the GDP scale in 1989 at 148 per cent of the national average reflected not only the dominance of the capital as an industrial and commercial centre, but also the inclusion of commuters' wages and salaries.

The next highest GDP per head in a study of counties was Berkshire at £9,500 (126 per cent of the average), Grampian £9,100 (120 per cent and Cambridgeshire and Surrey, both £8,400 (111 per cent).

At the other end of the scale the GDP per head in Mid-Glamorgan was £5,400 (72 per cent of average), followed by Merseyside, Cornwall and Northern Ireland at just over £5,700 (76 per cent).

There were some significant differences in relative levels between counties over the decade, with Surrey showing the greatest increase from 88 per cent of the UK average in 1979 to 111 per cent, and Buckinghamshire a rise from 91 per cent to 111 per cent. Warwickshire, Clwyd, West Sussex and Cumbria also experienced strong growth.

In contrast, the GDP per head of Merseyside was 93 per cent of the UK average in 1979, but only 76 per cent in 1989. Other counties with a significantly lower proportion over the decade were South Yorkshire, Fife, Dyfed, Powys and the West Midlands metropolitan county area.

Investment grows in engineering CNC tools

By Andrew Baxter

THE number of sophisticated computer numerical-controlled machine tools installed in the UK engineering industry may be much smaller than thought, but recent investment in CNC machines is higher than previously assumed.

These are the conclusions of a survey by Benchmark Research for Machinery magazine, which publishes the findings today. Investment by industry in machine tools which combine modern computer control technology with traditional machining disciplines is a useful measure of productive capability and competitiveness.

The survey identified 400,000 metal cutting and 115,000 metal forming machine tools at 18,600 engineering sites.

This represents 86 per cent of all machine tools installed in the UK, and excludes those used in process industries such as food and drink and chemicals.

At the engineering sites, 47,066 CNC machine tools were counted at 5,312 facilities employing more than 20 people. Along with an estimated 5,770 CNC machines used by smaller companies, the installed CNC machine tool base in the UK engineering sector is 52,836 – just over 10 per cent of the 515,000 machines in use.

The figure is surprisingly low, given that CNC machine tools have taken an increasing share of the UK machine tool market over the past decade.

According to the Machine Tool Technologies Association, numerically-controlled machines accounted for 39 per cent of the market in 1990, against 11 per cent in 1978.

PM refuses meeting on BCCI

MR John Major, the prime minister, has refused to meet staff and depositors from the collapsed Bank of Credit and Commerce International, Ralph Atkins writes. He said it would "raise false expectations" about how much the government could help to win an improved compensation package.

The prime minister said in a letter to Mr Keith Vaz, a Labour MP, that it would be "quite wrong" to give the impression that the government could do more to help victims of the bank's collapse.

Mr Major said it would be difficult for the government to try to negotiate severance payments for former BCCI employees. He said, however, the government had "every sympathy" for those who had lost money, and welcomed the progress that had been made in negotiations.

Winding-up proceedings against BCCI were adjourned until January 14 to give provisional liquidators more time to negotiate a deal with Abu Dhabi on behalf of creditors.

New limits imposed on ICI emissions

By Chris Tighe

THE NATIONAL Rivers Authority yesterday announced new controls on emissions from ICI's Wilton, Teesside outfall, believed to be the largest industrial effluent discharge in the UK.

The NRA described the new legally enforceable limits, which take immediate effect, as "tough" but said the further reductions it required in discharges from the outfall were to be phased in over four years.

Until now there has been little legal control on the concentrations and types of chemicals released from ICI's Wilton petrochemical and plastics plants into the Tees estuary via the Dabholme Gut pipeline, which discharges 33m gallons of effluent a day.

The new NRA consent imposes, for the first time, limits on concentrations of components of the discharge. It also requires reductions of 50 per cent and more in discharges of significant pollutants, including organic acids and salts, by 1996 and reserves the right to impose additional conditions in the next two years.

The NRA, currently reviewing the consents under which thousands of effluent pipelines around Britain have operated for decades, has come under pressure from Greenpeace to make an example of ICI by imposing immediate dramatic cuts in its Tees effluent discharges. But an NRA spokesman said yesterday the reductions had to be phased or ICI's operations would be threatened.

ICI welcomed the new consent limits, saying they were in line with its corporate aim, announced late last year, of cutting discharges by 50 per cent by 1995.

● Chemical companies introducing flexible working practices have generally failed to anticipate the range of training provision required, according to a survey of the industry.

The survey was carried out by the Chemical Industries Association last year in response to the "widespread interest in flexibility" throughout the industry.

TECHNOLOGY

The word is out on silent trucks

By Andrew Fisher

The Austrians started it all. Tired of hearing its citizens grumble about the noise from trucks rumbling along their roads at night on the transit routes between Italy and Germany, the government decided to act.

For two years, lorries passing through Austria after dark have had to conform to noise levels in advance of EC standards. Only vehicles that do not exceed 80 decibels (A) – the A denotes a measurement based on the human ear – are allowed on Austria's motorways between 10pm and 5am.

This level, roughly that of normal traffic heard from 10m away, compares with 60dB for conversation at a distance of one metre and 100dB or more for discothèque noise. The generally accepted threshold of pain is 130dB. Decibels are measured on a logarithmic scale, so a reduction of 4dB means a 60 per cent drop in noise.

For the truckmakers, the tighter Austrian rules posed problems, and the manufacturers did not have much time to adjust their designs. "Austria was very much the forerunner," says Klaus Schubert, technical director of German truckmaker MAN Nutzfahrzeuge. The EC, which currently insists on 84dB for new trucks compared with 88dB before October 1990, will not reach 80dB until 1995, though this will apply to both day and night driving.

MAN trucks, part of the MAN engineering group, has researched vehicle noise since 1965 and reckons it has a head start, though its rivals are also working hard. However, there is no single obvious solution to the noise problem.

"Getting down to 80dB means lots of small steps in development," says Karl Feitzelmeyer, head of testing at MAN trucks. Progress has come from improvements in components such as gearboxes, use of more rigid engine blocks, more efficient fuel-burning and the partial enclosure of noise-producing areas, such as engines and transmission equipment, with sound-absorbent plastics. Propeller shaft vibration has been largely eliminated through better design, while air suspension reduces mechanical rattling.

In 1989, the company introduced its MAN Silent range, which performs better in noise tests than conventional trucks. The range incorporates all the above features and costs 5 to 10 per cent more than standard trucks. So far, MAN has sold around 4,000 Silent trucks for the Austrian market. Other markets are opening up: the Netherlands, for example, provides special tax incentives for purchases of quieter trucks.

On a test track in Munich, two trucks from the Silent range were recently put through their paces against a standard vehicle. All three gave full acceleration from a speed of around 40kph (25mph) past a microphone and sound measuring apparatus. The Silent trucks were definitely quieter, the ear's impression backed up by the evidence on the graph. This showed that the Silent vehicles recorded 80dB and 79dB, with the standard truck clocking up 84dB.

At higher speeds, the difference was less marked. Above 60kph, the noise from tyres and road surface predominates, so that manufacturers can achieve nothing on their own – although the MAN Silent trucks are fitted with specially quiet tyres. Schubert hopes future tyre standards will cover noise as well as maximum speed, load and air pressure, making it easier to integrate them with truck manufacture.

Further progress on noise will be difficult; as Schubert notes, "we are near the limits". MAN's present range of standard trucks dates from 1986 and is one-third of the way through its lifecycle. It can retro-fit its non-Silent trucks to meet Austrian requirements.

Noise-related improvements increase the weight of the vehicle and make servicing and repairs more awkward. There is also a conflict between making trucks easier on the ear and maintaining traction and drive qualities. Yet the time will come, reckons Schubert, when most of MAN's output consists of noise-reduced trucks. Owners are waking up to the evils of noise, but only because the laws are making them do so.

James Buxton and Keith Wheatley report on a canoe expedition that will test communications equipment

Satellite sets sail

Later this month, John Ridgway, who became famous for rowing the Atlantic in 1966 and has sought new adventures ever since, will lead a party on what many think is the ultimate test of canoeing: paddling round Cape Horn.

The canoeists will face drifting pack ice, gales that can surge from calm to Force eight in 10 minutes and "williwaws" – squalls which can gust off glaciers at up to 130mph. Where they canoe beneath cliffs, they may encounter waves than can throw a canoe clean into the air.

The only reassuring fact about the expedition, which should make Ridgway's 23-year-old daughter Rebecca the first woman to canoe round Cape Horn, is that it will be in touch to an unprecedented degree with helpers in Britain.

BT, formerly British Telecom, is using the expedition, of which it is the main sponsor, to test satellite telecommunications equipment that will enable the canoeists to position themselves, obtain weather forecasts, send back news reports and allow the 53-year-old Ridgway to keep in touch with the management of the salmon farm at his adventure school home at Ardmore, near Cape Wrath in Scotland.

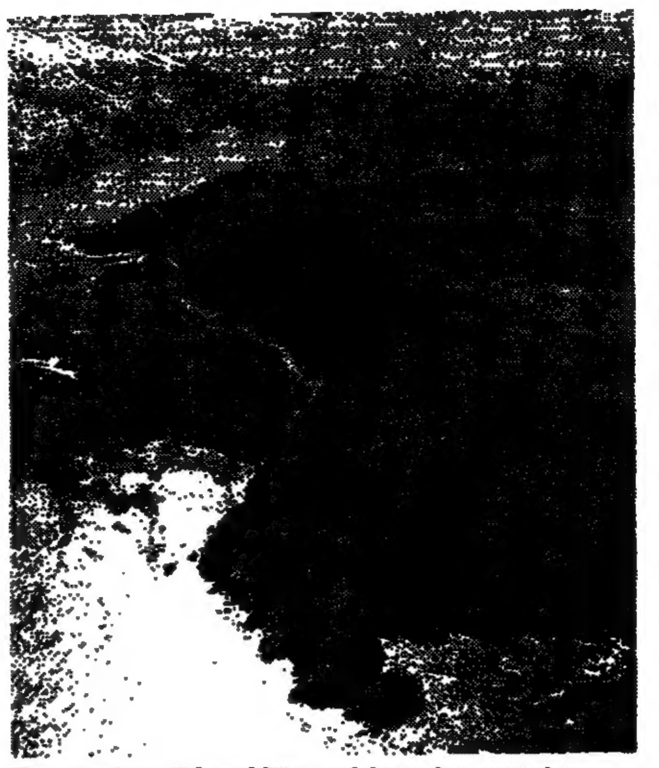
Assuming it survives this arduous test, the equipment will be installed on yachts competing in the 1993-94 Whitbread round the world race, which also passes Cape Horn.

The expedition consists of a five-person main team in single seat kayaks, two double canoes (including a TV cameraman from Independent Television News) and the 47-foot Chilean fishing boat Skyring as support boat.

The expedition, which will last about two months, will hug the coast down the Beagle Channel, with the canoe party camping onshore at night and the Skyring staying at sea. The party then cross the Bahia Sea to the Wollaston islands, the archipelago which includes Cape Horn.

Having landed on Cape Horn island, the canoeists will wait for a window in the almost permanent gales until they can circumnavigate the island. They then return in the support boat.

On board the Skyring, Nigel Tedeschi, a BT research engineer, will operate a miniaturised Global Positioning System (GPS) receiver which, using a small satellite aerial the size of a motorcyclist's helmet, will calculate the boat's position using three satellites.



The canoeists will face drifting pack ice and severe gales as they attempt to circumnavigate Cape Horn

The position will be transmitted using a rugged notebook-sized computer and portable C-Sat terminal up to the Inmarsat-C satellite, and from there via an earth station in the Netherlands to BT's research establishment at Martlesham, Suffolk. Here it will be fed into a new computerised tracking system being developed for the Whitbread race which will supply laser-printed maps showing the canoeists' daily progress to ITN and Anglia TV, also following the voyage.

Since the support boat and the canoeists will not always be together, a second GPS receiver and aerial will be carried in one of the double canoes. It will record a half-hourly fix which will be handed over to Tedeschi when the canoeists liaise.

The expedition's position will also be relayed from Martlesham to the Meteorological Office in Aberdeen. There it will be fed into a computer model of the weather around Cape Horn composed from reports from a variety of stations and passing ships.

Aberdeen will issue a daily weather forecast including the expected height of waves each morning, stepping up their frequency for the crossing of the Bahia Sea and for the circumnavigation of Cape Horn Island. "Depressions can come through there at the rate of three in 24 hours," says Ridgway. "We need to wait for an anticyclone for the voyage round the island."

The weather forecasts will be sent at speeds of up to 600 bits per second to the C-Sat terminal on the Skyring, where Tedeschi will pass them to the canoe party.

For the voyage around the Horn, the C-Sat terminal and the computer will be installed on one of the double canoes so that stories can be written and filed from the canoes. "The kit all fits very snugly into the bulkhead," says Tedeschi. The terminal is about the size of a car radio.

All yachts in the Whitbread race will be equipped with this C-Sat system, for which BT envisages a large market among yachtsman. Some, however, will also install equipment which will remedy a shortcoming of the last Whitbread race: the lack of "off-the-deck" TV footage.

To achieve this, BT has adapted videophone technology to the problem of bringing pictures from remote sites with minimal power sources. It has developed a small codec, a device which converts video signals from a camera into compressed digital data for satellite transmission.

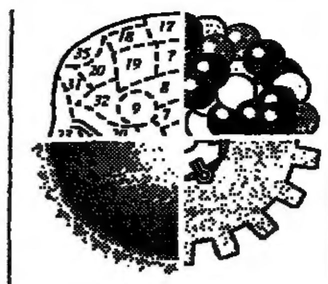
Signals from the codec will be transmitted over the Inmarsat-A satellite. Without compression through the codec, such a signal would require a satellite pathway more than 2,000 times larger than that available to a moving source such as a racing yacht, requiring much larger equipment.

The VC-9000 codec (which weighs only 8kg, one-fifth the size of a US rival) can handle data at 64 Kbits per second, much faster than any previous unit. It also requires only 400 watts of power to transmit.

This will allow live TV pictures to be transmitted from yachts anywhere in the world and interviewers in the studio can interrogate yacht skippers at sea.

"We have taken the videophone to sea. The implications for all kinds of remote sporting events and expeditions are enormous," said Edward Scott of BT. "But so are they also for businesses that operate in remote areas."

Oil companies exploring in remote parts of the Soviet Union are interested, he says. "The problems of sending back vast quantities of seismic data are quite similar to the technical parameters of moving television pictures about."



WORTH WATCHING

by Della Bradshaw

Easing the path to a united Europe

ONE of the problems of setting up a data communications network to link offices across Europe has been the different approvals procedures and incompatible equipment.

One of the few ways of avoiding the headache has been to go for one large supplier which operates in each country, but that involves becoming tied in to their products.

Now a group of 11 independent datacoms companies has set up an alliance in order to compete with much larger rivals. The 11 include Pandacom of Frankfurt, Teleinform of Zurich, and Datarange of High Wycombe, in the UK.

The aim of the group is to enable those wanting to set up a European-wide network to do so through a single point of contact. The group, European Network Associates, will have a core product strategy to ensure that equipment sold in one country will be available in the others. The group is also hoping to be able to influence the approvals and standards setting procedures.

High growth seen in LAN products

THE market for local area network (LAN) products in western Europe grew by 63 per cent last year, higher that the worldwide growth for such products, according to market analysts International Data Corporation, of Amsterdam.

The overall market value of the European market in 1990 was $339.4m (£186.40m), up from $207.9m in 1989. And by 1995, says IDC, more than 1m personal computers in Europe will be running a networked operating system.

The leading supplier was Novell with its Netware 286 product, which scooped 45 per cent of the market. The second company had just 8 per cent market share.

Solar power via a desert pipeline

ISRAELI technologists have built a pilot plant to test a promising commercial process for the transport of solar energy from desert regions to industrial areas hundreds of kilometres away by pipeline, writes Thomas Land.

The world's first methanator specifically for solar energy applications has been built at the Weizmann Institute of Science at Rehovot in Israel. It is a central component of the chemical heat pipe, which converts solar radiation into chemical energy, making it possible to store the energy.

The solar facility contains 64 computer-controlled mirrors that track the sun and concentrate its energy on to a 54m high receiving tower. This concentrated solar energy is absorbed in a special chemical reactor where methane and other hydrocarbons are converted into gas. The energy-rich gas is stored and transported by pipeline. The methanator is used to convert the gas back to methane and in the process releases heat.

Height of fashion on the ski slopes

SKI wear is high fashion, and even the smallest item has to be carefully chosen. For those who even pay attention to their ski bindings the flashiest pair this year will almost undoubtedly come from Salomon, of Annecy.

It has adopted a sublimation printing process, developed by fellow French company OTI, to decorate the mini clamps which hold boot to ski. The bindings are made from Du Pont's Delrin acetal resin. Decorative ink patterns are applied to the surface of the polymer at high temperatures – up to 300 deg C. This means that the ink completely penetrates the material so that the image is indelible.

Contacts: Datarange: UK, 0494 441258. Pandacom: Germany, 69 854 0080. Teleinform: Switzerland, 55 37 115. IDC: Netherlands, 20 669 2721. Weizmann Institute: Israel, 08 343512. Salomon: France, 50 65 414 41. OTI: France, 50 52 10 10. Du Pont: UK, 0442 218500.

MANAGEMENT

How to sell raincoats to Russians

Anthony Robinson on the problems encountered by Littlewoods in setting up shop in St Petersburg

The Christmas day dissolution of the Soviet Union and New Year's liberalisation of prices have dramatically changed the rules of the game for foreign investors.

The myth of 280m strong "Soviet" consumers as the last great untapped market has been laid to rest. Instead investors have to face the new reality of a jig-saw of republics which are all virtually bankrupt and of hyper-inflation which is rapidly destroying what remained of rouble purchasing power. Trade has been reduced largely to primitive barter – both internally and with the outside world.

It was not what was expected by Littlewoods, the British mail order and department store group owned by the Moores family of Liverpool, when it embarked 21 months ago on a plan to enter the Soviet market.

But, unlike other investors who have been deterred by recent events, Littlewoods has pressed ahead, building on its hard-earned experience.

Philip Abbott, the man chosen to run the first store in St Petersburg was plucked from running Littlewoods' Harrogate branch. An enthusiastic and energetic Yorkshireman, he says the company had a lot of learning to do as it looked for local partners, examined all aspects of hard and soft currency trading and sought appropriate premises.

Finding reliable Russian partners with the right contacts and a desire to learn western methods is a pre-condition for success. Littlewoods paired up with Alexei Abramov, managing director of Gostiny Dvor, a pre-revolutionary complex of small, bazaar-type shops, a mini-version of Moscow's famous GUM complex on Red Square.

The premises chosen by Littlewoods is yellow, two story neo-classical building is on Nevsky Prospekt, the main shopping street of the former imperial capital, a broad boulevard lined with classical and art nouveau buildings from the turn of the century, which cuts straight through the faded elegance of the city.

Given the shortage of virtually everything, Littlewoods – or any other western retailer – is assured of unlimited demand for its products. The problem is how to find a rouble-based supplier capable of delivering the right quality and on time. Littlewoods found such a supplier in Sergei Petrov, chairman of the Mayak textile company which he rents from the state and manages. Mayak now has a 10 per cent stake in the three way joint venture, while Littlewoods has a 60 per cent and Gostiny Dvor, the remaining 30 per cent.

Petrov's biggest problem is finding enough high quality cloth to produce the quality demanded by Littlewoods. The British company, which has invested around £1m in its Russian venture, supplies Mayak with some textiles and also uses its St Petersburg store as a useful outlet for last season's unsold stock.

Given the hyper-inflation of the rouble, foreign investors have to find ways of protecting themselves. Littlewoods carefully separates its store into two departments, one for rouble sales and the other for hard currency. One of the key management objectives is keeping the hard currency component of sales in the rouble store to a minimum – about 95 per cent of rouble sales come from locally sourced products. The hard currency section sells mainly imported products to anybody able to pay in any of 12 convertible currencies.

Given the shortage of virtually everything in Russia, demand is not going to be a problem to foreign retailers

Most of the customers are from the new class of Russian entrepreneurs and fixers who have access to hard currency and like to display their new wealth by wearing imported designer clothes. Some are local racketeers who control the hard currency prostitution rings and other activities now left alone by a demoralised police force.

In addition to imported goods, which are often held up by supply and transport difficulties at the tiny airport and overloaded docks, the hard currency store also sells high-quality raincoats made by Mayak and a small range of other rouble sourced products.

Any increase in the number of successful joint ventures would raise the supply of locally sourced high-quality goods capable of sale for hard currency would make life a lot easier both for Littlewoods and other foreign retailers.

Meanwhile, access to the hard currency section is controlled by guarded turnstiles. Simple possession of hard currency opens the door. Access to the rouble store, guarded by a large policeman, is actually more difficult. In practice it is by invitation only.

In this city of once powerful defence plants fallen on hard times, local plant managers compete to be allowed the privilege of letting their best workers shop at Littlewoods.

"We have a quota of between 300 and 400 rouble customers a day," says Abbott. Used to endless hours of queuing, customers wait patiently in line before being allowed to enter the warm, well-lit and empty store to chose no more than two garments.

"Given the high rouble inflation rate we are seriously considering a less orderly approach," says Abbott. "If we opened the store to everybody we would sell out of stock within hours and would then have to keep the store closed for a week. The advantage to us is that we would take in roubles and then immediately exchange them for dollars on the St Petersburg stock and commodity exchange."

During December alone the rouble fell from Rbs99 to the dollar to over Rbs130. Against this sort of background "the quicker we convert roubles into dollars the better," Abbott adds.

Foreign investors like Littlewoods also have the option of taking the long view and re-investing rouble profits in real estate or other assets. Anatoli Sobchak, the radical mayor of St Petersburg, continually urges potential investors to re-invest their rouble profits by purchasing assets in the City.

But this is another tricky area given the still unclear nature of existing property laws and general legal confusion which surrounds the extraordinarily complex task of re-creating a capitalist framework after more than seven decades of state ownership and authoritarian central planning.

The solution usually depends on the status and contacts of the Russian joint venture partner, an increasing number of whom are former army and naval officers or managers of military factories, desperate to become "biznessmen" as the armed forces shrink and the military factories run out of orders.

But Littlewoods' choice of Russian joint venture partners gives it the opportunity to invest rouble profits in expanding its operations and this is what it is about to do, Abbott said. "The opportunities for 1992 are tremendous. We are looking at six new stores. It took us 21 months to open our first store, but we were learning all the time. Finding and opening new stores will be a much easier business."

Singing in the mud, just singing in the mud

Emiko Terazono says Japanese construction companies are writing songs to brighten their image

"WE WILL sail over the waves to the land of dreams in a white yacht," croons a male pop vocalist. A top 10 hit? Not quite: the lyrics are for a company song for Taisei, the Japanese construction maker.

Taisei spent Y30m (£128,000) making Take Me To a Lively World, a six-minute ballad. The song was a part of a "visual identity programme", designed to soften the construction industry's image of the "three ks" – kiken (dangerous), kitanai (dirty), and kitsui (difficult).

Japan's labour shortage has highlighted construction industry's recruitment problems, as more Japanese youth are shunning three k industries. Construction companies are being forced to change their corporate images in order to attract young recruits.

Taisei's song project was organised by a group of young employees, with lyrics also written by an employee. Taisei distributed 13,000 CDs to its workers, and the song is played in the mornings and afternoons inside the offices. It is sung by a professional Japanese pop group, and is included in the group's recently released album. Hashimoto said that the song would help more young people get to know the company name, and associate Taisei with a softer, trendier image. Taisei also changed its company sign to a modern art type design to appeal to the younger age group.

"We also have to be aware of the impressions we give through the construction sites," he adds. Taisei is trying to get rid of the dirty image of a construction sites by beautifying the temporary walls surrounding the sites. The company also avoids using old or rusty machines, and workers are told to wash the dirt off the tires of trucks going out on the roads.

The job shortage is serious and getting worse. At the end of last year there were nearly five construction-related jobs per applicant, compared with the national average of just over one. Construction companies have been forced to increase wages to attract workers, and real average monthly wages in the industry rose 8.5 per cent from a year ago, six times as fast as the Japanese average.

Other construction companies such as Obayashi and Kounoike-gumi have also made company songs to be used for television commercials. Haseko, a condominium constructor, changed its corporate mark, which uses a green triangle symbolising the environment, a red circle for humans, and a blue rectangle which stands for buildings.

Changing names has also become popular. Kajima, formerly called Kajima Construction, dropped the "Construction" from its name because it reckoned its business consisted of architecture and design, development projects, and new businesses, aside from construction.

One construction worker at Maeda Construction said that the three k image of the industry has hurt morale on the work sites.

"I don't think that trying to make things look good on the outside will solve everything and making songs does sound a little ridiculous, but the companies have started something," he says.

Meanwhile, smaller three k companies, lacking ideas and funds for renewing their corporate image strategy, are having a harder time. Many small companies have fallen into financial trouble due to the lack of labour, and some sub contractors are finding a mounting order backlog.

Recruit, the publishing and job information company, claims that its new job magazine is an answer to some of these needs. The new title, GAT'N, is a bi-weekly job information magazine dealing solely with blue-collar jobs.

Recruit says it started GAT'N because although many people thought a blue collar job as "three k"; they did not know what some of the companies really did. "For example, we want more people to understand what a welder does, what skills a welder needs, and how much the job pays," says a spokeswoman for Recruit.

GAT'N currently has a circulation of about 140,000 issues a month around the Tokyo area. Recruit says it has received favourable responses from younger people, such as people with special skills, and high school and junior high school drop outs who had previously felt that they had minimal job prospects.

ARTS

One of Yasumasa Morimura's works currently at the Whitechapel, in which he uses computer technology to put himself into photographs of paintings, both Japanese and Western

Japanese artists tune into the West

A Cabinet of Signs, which runs at the Whitechapel Gallery until February 2, is the first time the huge Japan Festival, now drawing to its close, has provided an opportunity to see the work of contemporary Japanese visual artists. The opportunity is welcome. For the eight artists selected present work which embodies the complex intermeshing of western ways of thought and art with that eastern sensibility which, in exhibition after exhibition, the festival has attempted to lay before us.

Cabinet, however, requires that we make an effort for ourselves. These are no pieces of interesting exotica, but works rooted in what has become an international vocabulary. While some Japanese artists have expressed concern about the lack of awareness and understanding of western artistic developments in their country, what seems most striking about this exhibition is just how attuned it is to international currents of artistic thought.

Emiko Kasahara, for example, shows sculptural installations of large tiled boxes which recall the furniture sculpture and minimalist preoccupations of many of her western contemporaries. Her boxes, however, with their ceramic flower details and mirrored interiors, have a richness of resonance, a romanticism, that this genre in western use conspicuously lacks. Shinro Otake shows collaged notebooks whose multiple images from trash culture sources have been used to make expensive printed books — a neat reversal of Pop Art practice.

A version of the western, Beaux Arts model of art education is available in Japan, teaching students to draw from the cast and from life. Traditional Japanese art, Nihonga, is also taught, and artists are supposed to choose one school or another for their training and work thereafter exclusively in that style.

Subverting this convention, Yasumasa Morimura works with both Western and Japanese images, using computer technology to insert his own likeness into photographs of both traditional style Japanese paintings and also into some old Western favourites. In a series of works specially made for this show, he becomes the heroine of several familiar Pre-Raphaelite paintings from the Tate collection, using computer techniques to open up these morbidly romanticised images of western women to a different gender, a different race and a different time. In *Portrait, Fan* as adapted from Rossetti, Morimura wears a kimono and has a Rolex on his wrist. The eponymous fan is decorated with images from the works of Gilbert and George. No lack of knowingness there, then, or of the confidence to subject such icons to rigorous, if witty, interrogation. The irony takes by surprise, while the infinite malleability of images such processes now demonstrate to be possible — "I can become anything," says Morimura — raises fundamental questions about an image's "worth."

Transformations of the real, either by such elaborate or by more subtle means, are what Richard Francis, who with independent curator Fumio Nanjo organised the show for the Tate Gallery Liverpool, sees as the exhibitions's connecting theme. It is particularly notable in the work of Hitoshi Nomura, who has taken a series of photographs of the movement of the sun and moon across the sky, then assembled them to make large spiral constructions which form a three dimensional record of their paths. Tracking the movement of the moon on computer, he has also transcribed these traces into the notes of a musical score. It seems a nice irony that this is not played, but displayed, in the form of a compact disc in a perspex case.

Hiroshi Sugimoto, who lives and works in New York, also uses photographs. His black and white studies were taken inside the display cases of the New York Natural History Museum. The diorama, captured in exquisite silvery tones, look like snapshots from the beginning of time.

This is a show of subtleties, a show that takes time. It is also a show which helps to redress the balance, to remind us that the world of Japan which we have been encouraged to strive so hard to enter these past five months is, in many of its manifestations, a world rather more like than unlike our own. Those bullet trains and cute robots do not exist to amuse but to get people to work and to direct traffic. The quality of the exchange of artistic experience now is quite different from that of the French impressionists "discovering" Hokusai. The genesis and creation of a work can now be transglobal.

Morimura, already considered a "world" artist, took part in "Metropolis" in Berlin earlier this year. Tatsuo Miyajima, another of the eight, is showing concurrently at Anthony d'Offay — (until 11 January). At the Whitechapel he has arranged an installation of digital number display units, and invites us to contemplate their endless activity. At d'Offay, the darkened space of the upstairs gallery glows with the red and green light from the LED displays which have taken over the gallery walls. They flicker silently, eternally registering from 1 to 99. Our familiars on wristwatches, in airport lounges and railway stations, Miyajima's installations reveal that their banal perfection, their stalwart, ceaseless counting becomes no less than a depiction of the infinite. If that seems unlikely, just take a look.

Lynn MacRitchie

Parsifal

LA SCALA, MILAN

So much for planning ahead. Months ago, on leaving for an extended stay in America, I carefully booked my seat for the last performance of *Parsifal*, the new production scheduled to open the season at La Scala in Milan. It was to be conducted by the theatre's musical director Riccardo Muti, with Placido Domingo in the title role. In New York, I read about the triumphant reception, the memorable musical performance, the glamorous opening night. Back in Italy, a few days ago, as I was packing my bag for Milan and giving Ernest Newman a hasty re-read, I learned that my performance would not be conducted by Muti; and, further, most of the premiere's cast had dispersed.

I went to the performance anyway, and my faith was rewarded. You can learn much about an opera house on an *un*glamorous night, and, all things considered, La Scala came off well. First of all, the orchestra sounded fine. The replacement conductor — the, to me, totally unknown Niksa Bareza — may not have Muti's special intensity, but he has the same sense of musical architecture, and the reading was carefully shaped, dramatically gauged. Not electrifying, perhaps, but immensely satisfactory and truly felt. If the interpretation lacked a certain Nordic depth, it had, in compensation, a silken, Mediterranean sheen. And the clarity of the old houses's acoustics allowed the voices full scope.

Of the original cast Wolfgang Brendel remained: an unusually vigorous Amfortas, with praiseworthy enunciation: opposite him, so to speak, Kurt Rydl was a convincing Gurnemanz: the voice was not always steady, but the singing implied the compassionate, all-understanding humanity that is essential to the part and to the whole drama. Monte Pederson was a dark, menacing Klingsor, and Gabriele Monici did his duty as Titurel effectively.

In reality, though Parsifal and Kundry are the crucial figures in the opera, neither interpreter has an immense amount of singing to do; and the efficacy of their roles depends more on authority of presence than on vocal prowess. Still, the replacements for Domingo and for Waltraud Meier (the Kundry of the premiere) were somewhat puzzling and ill-paired. Warren Ellsworth (the Parsifal of the Welsh National Opera's production some years ago) is surely the most boyish-looking Wagner hero ever seen on a great opera stage: jug-eared and gangling, he is the very picture of adolescent innocence. The voice, too, sounded appropriately youthful in the first act; but, as the opera continued, the listener inevitably wanted greater power and expressiveness. Nevertheless, this was an acceptable, if underscaled Parsifal.

The Kundry of *Dunja Vejzovich was* another matter. The voice is certainly large enough, but at full volume it produces a less than pleasant sound. At the beginning of "Ich sah das Kind", the singer established a softer, narrative tone, suited to the text and dramatically convincing; but in the later part of the second act she became shrill and imprecise, absurdly unseductive. She was not helped by the foolish costume (by Ettora d'Ettore) and a copper-coloured doormat of a wig.

The Muti era — as it must now be considered — has not been distinguished by much positive visual excitement. Indeed, some of the conductor's most captivating performances musically were heard in conjunction with some of Luca Ronconi's most disastrous vagaries; and regular Scala-goers harbour doubts about Muti's visual sensibility. It is hard to conceive how he found acceptable the staging of Cesare Lievi, who treated Amfortas as a malingerer, denying him his usual litter, and allowed Kundry to survive at the end, when Amfortas, Gurnemanz, and Parsifal simply strolled off the stage, defying Wagner's specific directions and flattening the culmination of the great work.

Lievi's brother Daniele (with Peter Laher) was responsible for the sets (the magic garden looked like the swimming pool area of a better-class motel). But then there was little magic in the whole conception: the transformation scenes were bewilderingly fudged (doors opening to reveal shining, posturing knights); the mop-headed flower-maidens in their Victorian dress looked like Shirley Temple dolls, dressed by May of Teck.

And yet, the house, the orchestra, some of the singing, and above all, the music itself made the evening a pleasure. Parts were sometimes unacceptable, but their sum was still satisfying. The old magician of Bayreuth still has the power to emerge victorious from severe trials.

William Weaver

Peter Pan

EVERYMAN, CHELTENHAM

This is the musical one, with book and songs by Piers Chater-Robinson, more familiar at schools than at theatres. It holds to Barrie's story without any major alteration, inserting songs where appropriate. "We are the Darlings," sing the Darling children. Peter and Wendy sing about growing up, and later about flying; and, ensconced in the Never-neverland, Wendy sings of her wish for a pretty house, provided at once, though she never lives in it. Need I say that Peter leads a song aimed at the audience, "Yes, we believe, Oh, we believe in fairies." There was a half-hearted, mainly adult, response. Not that the children at the matinee were less than enthusiastic; their chat sometimes drowned the dialogue.

Peter is played by Lorraine Brunning, looking very much boy size and shape and using good boyish movements. The old tradition that she should also be glamorous is dispensed with, none the worse for that. Wendy (Caroline Mander) is more a little mother than a little girl, but this is due to Barrie. Her brothers are as neutral as usual, though if John (Peter Thain) wants to join the Coldstream he mustn't wear glasses. The Lost Boys are given much more fun, though they might have put more zing into their pirate-fighting. Dave King is a gentlemanly, not a terrifying Hook, but he has a villainous farewell song to Peter. I hoped I should see him walk the plank, but he is swallowed on his own quarterdeck by the ticking Crocodile.

Nettie Edwards's useful sets merge very well when required, but the lighting (Nick Hunt) was for me too autumnal throughout. Choreographer Bill Deamer has given the only big routine to the Redskins, of all people, who also play the pirates. Director Sheila Mander is very good with young people; I only have one quarrel, that she should allow Peter (of all people!) to demand "Shall I hit him on the bum?" when he has a pirate bent over before him. The production runs until 18 January.

B.A. Young

Madama Butterfly

GRAND THEATRE, LEEDS

Opera North's "new" *Butterfly* puts a run-of-the-mill, efficient staging by Jonathan Alver into the utilitarian, monolithic set by Lez Brotherston devised for the company's earlier production. The real novelty of the show is musical, for Martin André conducts what are claimed to be the first performances in this country of the original version of the score.

The premiere of *Madama Butterfly* at La Scala in 1904 has become one of the best known disasters in operatic history. Stung by the public humiliation, Puccini worked on the piece over the next three years, progressively rewriting and rewording, and it is the version that emerged in 1907 that was published and used for performances ever since. For his WNO production in 1978 Joachim Herz unearthed and reinstated some of Puccini's original thoughts, and Graham Vick's Coliseum production of the early 1980s preserved many of those amendments; but Opera North's wholesale return to the first version has no precedents in Britain.

The thrust of Puccini's revisions had softened the edge of the tragedy, toning down the cultural clash between East and West, making Pinkerton a less callous, more remorseful figure and Butterfly a tragic heroine in a more conventionally European mould. Pinkerton's final aria "Addio fiorito asil" was one of the additions; without it his final appearance is harsher and almost devoid of guilt, and the role of Kate Pinkerton bulks larger and infinitely harder-faced. In the original Sharpless is weaker and morally bankrupt, while Butterfly herself seems more remote from reality than ever, adrift in a world half-way between childhood fantasy and adult feeling.

It makes for a rawer, more uncomfortable opera than ever, though the inclusion in the first act of more *japonaiserie* between Butterfly's geisha friends and her relations hobbles the dramatic pace of the act just at the point at which the approaching love duet is all that matters. That passage apart, Puccini's initial dramatic instincts were as sure as his second thoughts, and Alver's production, unselfconsciously detailed, allows them an unimpeded run.

Richard Taylor and Maryanne Telese

André's conducting too is idiomatic and sharply theatrical, but on Friday the orchestral playing was consistently too loud for the moderately powered cast. Only Patricia Bardon's grave, beautifully focussed Suzuki was able to make every phrase tell. Both Keith Latham's intelligently characterised Sharpless and Richard Taylor's surprisingly unheroic Pinkerton were covered too often. Maryanne Telese's Cio-Cio San made herself heard most of the time and accomplished a telling transition from wide-eyed innocent to hopeless victim, but carved out her vocal lines in a breathless unsatisfying way.

The entirely Anglophone cast sings in Italian; there are no surtitles. Such purism could have been appropriate had the standard *Butterfly* been performed, but seemed unhelpful in these circumstances. One of the points of resuscitating Puccini's original version was to reinstate material that deepens the cultural and psychological context of the opera. Unless the list of Opera North's achievements now includes making their audiences fluent in Italian, most of those textual changes will have gone for nothing. Andrew Clements

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

AMSTERDAM

Van Gogh Museum Edgar Degas: Sculpture. Degas put only one of his sculptures on show during his lifetime — The Fourteen-Year-Old Dancer. This exhibition presents 73 bronzes which were cast from a large number of wax and clay models found after the artist's death.

The themes are bound up with Degas' work, such as young dancers in action, horses, women bathing and drying themselves. Ends Feb 23.

Also L'Estampe Originale: artistic print-making in France 1893-1895. Nine albums providing a survey of the avant garde in art in the late 19th century. Ends Jan 26. Closed Mon

[illegible] Rembrandt: a major exhibition bringing together paintings from museums in Berlin, Amsterdam and London, and capitalising on the latest developments in Rembrandt research and attribution. Ends March 1. A companion exhibition of 40 drawings by Rembrandt and his pupils, plus 40 etchings, ends on Jan 19. Closed Mon

Stedelijk Museum Wanderlieder: A Journey through the New Europe. Eleven artists give their pictorial response to the sweeping political changes in Europe and the new socio-cultural perspectives which have opened up for the visual arts. Ends Feb 9. Daily

BERLIN

Altes Museum Martin Schongauer: Engravings. An extensive exhibition marking the 500th anniversary of the death of Schongauer, the first great engraver of German art. Ends Feb 16. Closed Mon and Tues

Nationalgalerie Otto Dix: a major *retrospective marking the* centenary of one of the towering figures of 20th century German art, renowned for the bitter realism of his portraits, brothel scenes and visions of war. Ends Feb 4. Closed Mon and Tues

Pergamonmuseum Miniatures of the Berlin Baisonqur Manuscript: illuminated pages dating from 1420, commissioned by the family of the Afghan Prince Baisonqur. Ends Jan 19. Closed Mon and Tues

DRESDEN

Albertinum Otto Dix: Dresden's rich collection of drawings ranging from 1912 to the postwar period, most of which was donated by the artist to his home city in 1969. Ends Feb 16. Also Venetian Masters of the 18th century, including Canaletto's spectacular paintings of Dresden and its environs. Ends Aug 23. Closed Mon

FLORENCE

Palazzo Pitti Caravaggio: Birth of a Masterpiece. The exhibition includes important foreign loans of Caravaggio paintings, including the Kimbell Museum Card-sharpers, never previously exhibited in Europe, and Crowning with Thorns, from Vienna. Ends May 17

Palazzo Strozzi Gustav Klimt. Ends March 6

Palazzo Vecchio British figurative arts. Ends Feb 16

FRANKFURT

Städel Velasquez and Goya: portraits of Philip IV and Charles III, two of the greatest masterpieces from the Prado. Ends Jan 19. Also the Städel moderns 1906-37: paintings dubbed degenerate by the Nazis, including work by Beckmann, Chagall, Kokoschka and Matisse. Ends Jan 12. Daily

LONDON

Tate Gallery A major painting by Francis Bacon (b1909), Second Version of Triptych 1944, has been presented to the Tate by the artist. The painting, made in 1988, is the first to be acquired by the Gallery since 1980, and is included in a room which offers visitors the chance to study the development of Bacon's work since 1944. Ends Jan 12.

Also Giorgio Morandi (1890-1964): 48 etchings by one of the great figures in modern Italian art. Ends Feb 9. Also Gerhard Richter (b1932): first major survey in Britain of one of Germany's most eminent living painters. Ends Jan 12.

Also Anthony Caro (b1924): new and recent work by the British sculptor. Plus Turner's Rivers of *Europe. Ends Jan 26. Daily*

Royal Academy Katsushika Hokusai (1760-1849): sketches, paintings and 150 printed works by the most celebrated Japanese artist in the West. Ends Feb 9. Daily

Barbican Japan and Britain: an aesthetic dialogue 1850-1930, with works by Whistler, Mackintosh and others who contributed to the exchange of influences. Ends Jan 12. Daily

Hayward Gallery Toulouse-Lautrec. Ends Jan 19. Daily

National Gallery Paula Rego: Tales from the National Gallery. The exhibition, comprising six acrylic paintings and more than 30 small works on paper, stems from Rego's time as the museum's first associate artist in 1990. Ends March 1. Also The Queen's Pictures. Ends Jan 19. Daily

Victoria and Albert Museum The Magi and The Gift: the tradition of Christmas giving seen through French Renaissance stained glass windows, Italian majolica, illuminated manuscripts and etchings by Dürer and Rembrandt. Ends Jan 12. Also Visions of Japan, centrepiece of the Japan Festival. Ends Jan 26. Daily

MADRID

Centro de Arte Reina Sofia Lyubov Popova: more than 100 paintings and works on paper by a leading figure of the early 20th century Russian avant garde. Ends Feb 17. Closed Tues

MILAN

Palazzo Reale Hidden treasures from the Brera, focusing on Lombard artists of the 16th and 17th centuries, including the Campi brothers, Daniele Crespi, *Cerano and Ambrogio* Bergognone. Ends Jan 19. Daily

NEW YORK

Brooklyn Museum Biomorphicism and Organic Abstraction in 20th century Decorative Arts: 40 decorative objects from the permanent collection that share inspiration from organic forms, including furniture, ceramics, metal, platsics and stone. Also recent acquisitions of prints and drawings by contemporary artists. Ends March 29. Closed Mon and Tues

Metropolitan Museum of Art French Architectural and Ornament Drawings of the 18th century: 130 items, mainly decorative drawings and watercolours for candelabra, clocks, furniture, carpets and hotel facades. Ends March 15. Also Stuart Davis (1894-1964): the first retrospective of the American modernist for more than 25 years. Ends Feb 16. Also a major Seurat exhibition and another devoted to his neo-impressionist followers. Ends Jan 12. Closed Mon

Whitney Museum of American Art Alexander Calder (1898-1976): more than 50 works by the innovative and popular American sculptor. Ends Feb 2. Also Alexis Smith (b1949): a mid-career survey of the Californian artist who has re-invigorated American collage in the past 20 years. Ends March 1. Closed Mon

PARIS

Centre Pompidou Max Ernst retrospective, with 250 collages, paintings and drawings showing the great Surrealist painter revelling in the subconscious. Ends Jan 27. Closed Tues

Musée des Arts de la Mode *Elegance and Fashion in 18th* century France: sumptuous materials and dazzling craftsmanship characterise the 80 exhibits from French Regency to the Revolution. Ends March 31. Closed Mon and Tues (107 rue de Rivoli)

Musée d'Art Moderne de la Ville de Paris Alberto Giacometti (1901-66): exhibition of work by the Swiss sculptor and painter. Ends March 15. Closed Mon (11 ave President Wilson)

Louvre Three exhibitions of German art from the Gothic to the Renaissance, showing the homogeneity of sculptures, engravings and drawings of the period. Ends Jan 20. Closed Tues (Hall Napoleon and Pavillon de Flore)

Musée de l'Orangerie des Tuileries Derain: more than 60 works by one of the original Fauves, focusing on his early years. Ends Jan 20. Closed Tues

Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musée d'Orsay and Versailles

ROTTERDAM

Museum Boymans-van Beuningen Prints by Stefano della Bella (1610-1664). At the height of his popularity, della Bella was a favourite of the Florence and Paris courts, but later sank into oblivion. His versatility is shown in etchings of ceremonial festivities, scenes from daily life, vedute, landscapes and designs for ornaments. Ends March 8.

Also Paintings from 89 cities by On Kawara, plus an exhibition by two ceramicists, Alison Britton (b1948) and Claudi Casanovas *(b1956). Ends Feb 2. Closed Mon*

VIENNA

Albertina Hilma Af Klint (1862-1944): retrospective of the Swedish abstract artist, with more than 70 paintings giving insight into religious and philosophical movements at the turn of the century. Ends Feb 2. Daily

Kunsthistorisches Museum Paul Hindemith: composer as draughtsman. A selection of expressionist and surreal drawings by the German composer who died in 1963. Ends Feb 9. Closed Tues

WASHINGTON

National Museum of Women in the Arts Voices of Freedom: Polish Women Artists and the Avant Garde 1880-1990. The exhibition, the first in the US of these works, includes every major movement from realism to expressionism, nationalism to abstraction. There are 80 paintings, plus sculptures, tapestries, drawings and mixed media. Ends March 22. Daily

National Gallery of Art Walker Evans: classic documentation of American life during the Depression, including New York subway photographs. Ends March 1. Also Albert Bierstadt: the most comprehensive collection of work ever assembled of the epic American landscape painter of the 19th century. Ends Feb 17. Also Circa 1492: Art in the Age of Exploration. Ends Jan 12. Daily

ZURICH

Kunsthaus Visionary Switzerland: From Niklaus von Flue to Martin Disler. An expression of the Swiss creative identity in art, including work by artists as diverse as Adolphe Appia and the Giacomettis. Ends Jan 26. Daily

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Friday January 3 1992

Progress in South Africa

SOUTH Africa starts the new year on a hopeful note. Progress in constitutional talks, coupled with tentative moves towards an interim government, represents the most important step in the country's transition to democracy since the release of Mr Nelson Mandela, the African National Congress (ANC) leader, nearly two years ago.

The agreement on a set of constitutional principles, endorsed by delegates attending the inaugural session of the Convention on a Democratic South Africa (Codesa), is in itself encouraging. While the principles adopted are taken for granted in western democracies, they represent a revolutionary change for South Africa, incorporating as they do commitments to an adult franchise and a multi-party system, a bill of rights and an independent judiciary.

But equally significant were the efforts to find common ground for the management of South Africa's transition to democracy. In an historic recognition of black political rights, President F.W. de Klerk offered black South Africans seats in the country's parliament as a step towards what he called the "expeditious" creation of "a government that is broadly representative of the people".

He also agreed that proposals for new legislation drawn up at Codesa and approved by consensus would be implemented by the current parliament, where the ruling National Party has a comfortable majority. Given that the working definition of consensus is the joint approval of delegates from the National Party and the ANC, the government can exercise a veto.

Important concession

Nevertheless, it represents an important concession. It marks an acknowledgment that effective power is shifting from parliament to the convention, attended by 19 parties covering most of the political spectrum, with representatives from all races.

Taken together, the moves could form the basis for the resolution of two key ANC demands: the creation of an interim government, and the election of a constituent assembly to draw up the new constitution. Even though the two sides differ on its duration – government envisages five years or longer, the ANC no more than 18 months – the framework for a transitional administration is taking shape.

Formidable problems remain, however. Hopes for an end to political violence have been set back by Chief Mangosuthu Buthelezi's refusal to attend the opening session of Codesa, although his mainly Zulu Inkatha Freedom Party was represented. Chief Buthelezi has no significant support beyond his ethnic base, but his capacity to play a spoiling role is considerable.

Potent force

Meanwhile, the extreme white right wing is a force to *be reckoned with*. There will not be another general election under the current constitution, and, in theory, the promised referendum seeking approval for a new one need not be held before 1994. But the pace of change is such that Mr de Klerk may feel obliged to test white *opinion* well before then.

Failure to do so could increase the danger that extremists, convinced that they reflect the views of a majority of whites, will be tempted to mount a violent last ditch resistance to change.

But perhaps the most difficult *hurdle is in the constitu*tional arena.

For all the progress on principles, a fundamental divide has yet to be bridged. There is nothing in the ANC's public position which suggests that it is prepared to accept a system short of conventional majority rule. *Mr de Klerk*, on the other hand, has made it clear that he expects proportional representation in parliament to extend to an entrenched role for the National Party in the executive arm of government.

Underlying these issues is the depressed state of the economy marked by rising unemployment and a growing crime wave which exacerbate political tensions.

Given the complexity of their problem, South Africa's leaders have made remarkable progress. But the next steps on the road to democracy may prove to be the most difficult.

Whenever on Sundays

THE DECISION by some supermarket chains to open their larger stores on this and subsequent Sundays into the new year presents the British government with an awkward dilemma. Widespread Sunday *opening of shops flourished* in the run-up to Christmas, contravening the Shops Act 1950 which makes it a criminal offence to sell most non-perishable goods on Sunday in England and Wales. Ministers hoped that that this law-breaking would die away at the end *of the festive season*, allowing them to shelve the divisive issue of reforming the shop hours legislation until after the general election. Those hopes have now been dashed, however, and the government must act to avoid condoning illegal behaviour by the large store groups.

The preferred option must be to decriminalise Sunday trading – as has already happened in Scotland without damage to the social fabric. There are more important tasks for the courts than enforcing laws which permit the sale of pornography on the Sabbath yet threaten a £1,000 fine for anyone who sells a Bible.

The most immediate argument in favour of repealing the law on Sunday trading is one of convenience for the customer. Most adults now work from Monday to Friday, yet they are compelled to join a scrummage on Saturdays to procure the staff of life. Shops should be free to open on the days of the week which are most convenient for customers.

Lower prices

That Saturday scrummage indicates a second benefit from seven-day trading: more efficient use of capital in retailing. If all shops opened on Sunday, the short-term effect of opening for an extra day would be higher costs. But in the longer term, spreading the shopping currently done in six days over seven will require fewer shops. If retail space is reduced, this should mean lower prices.

Nor can it be assumed that the sole effect of Sunday trading will be to time-shift the current volume of shopping. Record shops and DIY superstores have long known that opening on Sunday brings in customers who will find something else to spend their money on if they cannot go shopping.

While the arguments are strong in favour of legalising Sunday trading, this cannot be *achieved simply* by *turning* a blind eye to flagrant law-breaking. The current confusion arises from doubts over the validity of the Shops Act 1950 following a series of judgments by the European Court. The Act appears to conflict with article 30 of the Treaty of Rome which *covers* free trade within the EC, and Britain's Law Lords have sought clarification from the Court on the complicated rulings. But until clarification is given, Sunday trading remains illegal.

'Bizarre' legislation

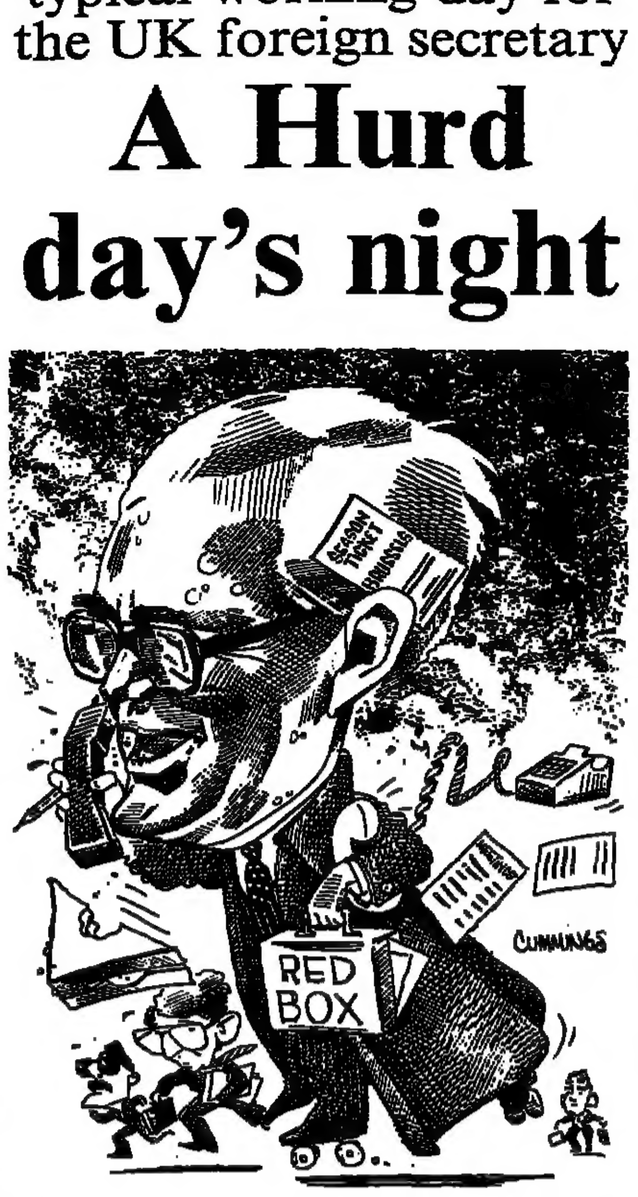
Those retailers who have exploited the confusion to flout the law deserve opprobrium. But it is the government which must enforce or reform legislation which the prime minister has described as "bizarre". If the government wants to retain the law, it should ensure that it is obeyed – and fines which are too low to deter should be raised. Instead, the buck has been passed to the local authorities which dare not seek injunctions to stop Sunday opening for fear that they will have to pay compensation for loss of earnings.

Much better for the law to be repealed, perhaps with safeguards for those who work in shops. But it is unrealistic to hope – as ministers do – that a compromise can be found acceptable to supporters and opponents of Sunday trading.

The government fears that reform would suffer the fate of an earlier attempt to liberalise shop hours, which was wrecked in 1986 by an alliance of sabbatarians and the shop workers' unions. But a quick bill could be passed through parliament before the special interest groups had set their word processors to work. And with the imminent election as an additional weapon in the whips' armoury, it should be easier to deter backbench rebellion. What cannot be allowed is for the present confusion over the law – and the law-breaking which goes with *it – to continue.*

Robert Mauthner on a typical working day for the UK foreign secretary

A Hurd day's night



It is just as well that Mr John Major, the UK prime minister, refused to subscribe to the social provisions of the recent *Maastricht* treaty, for it would have disqualified his foreign secretary, Mr Douglas Hurd, from doing his job.

A *48-hour working week* – one of the central tenets of the Social Chapter – was never devised for anyone heading an important department of state, let alone for a foreign secretary at the centre of important international events or negotiations. Britain may have lost an empire, but it has gained a European Community, increasing rather than diminishing the workload of what is still called the Foreign and Commonwealth Office. Today's 'restless natives' are to be found in Europe rather than in the remoter regions of Africa or the far east, but they are no less *time-consuming.*

Day-trips or two-day visits to Brussels and other Community capitals, often involving very late-night return flights to London, have become part and parcel of the normal working week of a foreign secretary who sees his EC counterparts rather more often than his own Cabinet colleagues.

But even an average "non-travelling" working day can last as long as 18 hours, including official lunch and dinner engagements, not necessarily always enjoyable occasions; a constant round of cocktail party dialogue can be very boring, even when you have had as much practice at it as Mr Hurd.

A fairly typical day would see the "SOS" (secretary of state), as he is familiarly known to his staff, getting up at 7am at his official residence at No 1 Carlton Gardens. A quick skim through all the newspapers followed by a light, non-cooked breakfast (in the kitchen, it is said) with his wife Judy and children Philip, 8, and Jessica, 7, sets Mr Hurd up for the first ordeal of the day: live radio interviews with Radio 4's Today programme and Independent Radio News, both of which have sent radio cars to his home.

After listening to the 8am news in the radio car and being put through his paces by the BBC's Mr Brian Redhead or Mr John Humphreys, Mr Hurd will often briskly walk the few hundred yards to his office in King Charles St, his green Loden overcoat giving him the air of a member of the imperial Habsburg household.

First stop will be the private outer office on the first floor, where Mr Hurd's principal private secretary will present him with a batch of something like 60 telegrams, some of them requiring urgent attention.

Once a week, this will be followed at 9am by a policy co-ordination meeting of all the FCO ministers and most senior officials and advisers, particularly *on issues of immediate* political significance. At such meetings Mrs Lynda Chalker, a minister of state, might bring up the plight of the Kurds in Iraq (as she frequently does), or a discussion will take place on the advisability of recognising Croatia and Slovenia.

During the run-up to the European summit in Maastricht last month, the frequency of such high-level internal meetings chaired by the foreign secretary became much greater. Typically, at 10am, in the presence of Sir David Gillmore, the permanent under-secretary, Mr Len Appleyard, the political director, and Mr Michael Jay, the assistant under-secretary for European Community affairs, the Dutch proposal on majority voting for common foreign and security policy decisions was carefully analysed, the first of several such discussions on the subject during the day.

The foreign secretary always takes a very active part in these talks with the experts, frequently disagreeing with the proposals put up to him and imposing an alternative policy line. However, this is always done by rational argument; putting down officials in front of their colleagues is not Mr Hurd's style.

Mid-mornings will often be spent in talks with visiting foreign officials for which Mr Hurd will have to adapt him*self to a completely different* geographical region and subject matter; on this occasion he is calling on President Masire of Botswana at the Dorchester Hotel. Supported by the Foreign Office's most senior African expert, Mr Patrick Fairweather, a deputy under-*secretary, Mr Hurd will have to* switch his attention from proposals for extending democratic control over the EC's centralised institutions and the civil war in Yugoslavia to the spread of democracy in Africa and the intensification of violence in South Africa.

From the Dorchester, straight to Nomura House in the City, where shortly after midday the foreign secretary is to attend a British-Japanese parliamentary symposium on Japanese trade and investment in Europe and the US. After a few well-chosen words, he has to rush back to No 1 Carlton Gardens where he is hosting a "smallish" lunch for the Greek foreign minister, Mr Antonis Samaras.

Mr Hurd likes Mr Samaras, who is unusually young for a Greek Cabinet minister, and whom he sees as often as every 10 days either in EC or Nato meetings. Plenty of talk about the consequences of Maastricht, Greece's application for membership of the Western European Union defence organisation and, of course, Cyprus and Turkey. But all very informal, including the toasts.

No Churchillian cat naps after lunch, but a quick conversation with his wife Judy, who does not have too many opportunities to be with her husband, except during the interminable if infrequent Commonwealth heads of gov*ernment conferences.*

In the afternoon the pace quickens. First, a briefing for the new British ambassadors to the three Baltic states, to prepare them for the difficult task facing them in these new*ly-independent countries*, presently reviewing their relations with the recently set up Commonwealth of Independent States. Then, half-an-hour with ex-US President Jimmy Carter, who has come to talk to Mr Hurd about his Centre for the Promotion of Democracy and Conflict Resolution and his experience of monitoring elections in Zambia.

A quick office meeting on an article the foreign secretary has undertaken to write for a Sunday newspaper on the outcome of the Maastricht conference, is followed by a meeting with an all-party Kashmir group, a *15-minutes letter- and* telegram-signing session, 30 minutes with Mr Tony Galsworthy, the British representative on the Sino-British Hong Kong Joint Liaison Group and a rapid appearance in the early evening at a party given by his old boss, former Prime Minister Mr Edward Heath.

The pace continues briskly as the evening gets under way. On many evenings the foreign secretary attends a cocktail reception or hosts a dinner. Today, Mr Hurd is giving a dinner at his residence for Mr Jiri Dienstbier, the Czechoslovak foreign minister, to which he has invited a wide range of guests including academics, industrialists and journalists. This is the kind of function Mr Hurd likes best. It is intended as a relaxed prelude to more official talks with Mr Dienstbier the following day.

The last guests do not leave until about 10.45 pm and then the work continues. Mr Hurd retires to the sitting room with his red box full of what are known in the official jargon as "submissions" – formal proposals and recommendations put to him by other ministers and officials on subjects ranging from the dissolution of the Soviet Union to the fight against drugs. They include a number of so-called "trigger" telegrams which will not be issued until the "SOS" gives his formal imprimatur

Bed-time is usually not until 1am. It has been a heavy day, but no heavier than attendance at an EC or Nato conference abroad, when plenary sessions are interspersed with bilateral meetings with foreign ministers from other participating countries, not to speak of the obligatory media conferences which no politician can afford to avoid.

Injected into this punishing schedule are parliamentary debates, question-time in the House of Commons and frequent visits to his own west Oxfordshire constituency and tours of other constituencies.

Yet Mr Hurd still found time to visit Maxim Gorky's house during a recent visit to Moscow, sprint round the Roman forum during the November Nato summit, take a quick peep at the picturesque main square in Maastricht after the gruelling European summit and attend the carol service at his son's school just before Christmas.

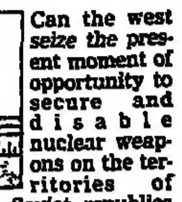
"If there's half an hour to spare, he'll get out," an admiring, if exhausted official panted. "Yet he's always contained and never really explodes, though he's pretty *intolerant of waffle.*"

That is hardly surprising given the foreign secretary's tight timetable. Yet one feels sure that, if push came to shove, he could even spare a couple of minutes for waffle.

PERSONAL VIEW

Nuclear objectives

By Graham Allison



Can the west *seize* the present moment of opportunity to secure and disable nuclear weapons on the territories of those former Soviet republics that wish to be nuclear free? The answer is yes – but only with a strategy that marshalls all western instruments of influence and exercises them with a sense for priorities.

Since the fall of the Berlin wall, the west has committed more than $70bn in credits, grants, and loans to the former Soviet Union. What has been missing in this response is not money, but effective linkage between western support and the recipient's actions.

Western governments must begin by recognising that the disintegration of the Soviet Union could present the single most serious threat to international security since the second world war.

Western defence budgets are in effect an insurance policy designed to deter and defend against potential threats to international security. Some portion of these budgets should, therefore, target the possible threat posed by the disintegration of the former communist superpower.

If, as a result of the collapse of the Soviet Union, scores of its 30,000 nuclear weapons find their way into international arms bazaars, the west's entire conception of national security will change fundamentally.

Western governments must not fall into the trap of believing that these 30,000 nuclear warheads are simply "the new republics' problem", for their disposition will affect the west's own vital interests. Any use of the nuclear arsenal against the west, or its vital interests, whatever the circumstances, will harm us.

Nor should western governments accept claims that such an outcome is inevitable or beyond its control. It certainly cannot guarantee the outcome. Nor can the republics. But what the west does now can significantly affect the probabilities. The longer it waits, the higher the cost and the smaller the effect anything it does will have.

The west's overriding objective must be clear; namely, ensuring a single operational control over all nuclear weapons in the territory of the former Soviet Union.

Western leaders have affirmed this objective publicly, and communicated it to the republics. One finds *desired echoes in last month's* Brest declaration which led to the creation of the new commonwealth comprising 11 former Soviet republics. But fine words must become deeds specifically irreversible actions.

The west must insist that the newly sovereign republics *earn* diplomatic recognition and normal relations. The republics must demonstrate they recognise the obligations as well as the rights of independence. Above all, they should sign the Non-Proliferation Treaty (NPT) as non-nuclear weapons states.

Ukraine, Kazakhstan, and Byelorussia, all members of new commonwealth, have publicly affirmed their intention to become nuclear-free states and to sign the Non-Proliferation Treaty. But do not count on today's preferences lasting as circumstances change or less responsible people become more influential. One can already find signs of growing interest in some republics, and even appetites for, maintaining control of the nuclear weapons on their territory.

The best outcome would be *for control of all nuclear weap*ons in republics that desire to be non-nuclear to be internationalised immediately. Ukrainian President Leonid Kravchuk said last week: "If Americans will help to destroy the nuclear weapons than we will destroy them tomorrow." We should take his *"do" for* an answer and directly translate his words into irreversible deeds.

To this end, the west should not confine its role to encouragement from the sidelines. Rather, it should now establish a new international agency with money, technology, and a mandate to assist in disabling and destroying these weapons. The US Congress has appropriated $400m that can be used at President George Bush's discretion for these purposes. Other G7 governments which choose to participate in the proposed new international agency would make matching contributions.

These contributions of funds, technology and explicit western co-operation could make a decisive difference in keeping all parties focused every day on the most rapid and secure disabling and destruction of these nuclear weapons.

In his response to Mr Bush's historic arms control initiative last September, President Mikhail Gorbachev pledged to eliminate more than 15,000 nuclear weapons. Since then, three months have passed and no nuclear weapons have been disabled and destroyed. Three months hence this objective may be unattainable. The moment for action is now.

The author is a professor at the Kennedy School of Government, Harvard University. Last summer he co-authored with the Soviet economist, Grigory Yavlinsky, the 'Window of Opportunity' plan for Soviet political and economic reform

OBSERVER

Bundesbank politicking

■ When Helmut Schlesinger took over the reins as president of the Bundesbank in August, his reputation as a *monetary hardliner went* before him. But it seems he has been finding it less than easy to establish a policy-making consensus at the fortnightly monetary policy council meetings; some of his council members are even more hawkish than he.

The shock decision on December 19 to raise the Lombard rate by a full half point was apparently made against the advice of both Schlesinger and his deputy Hans Tietmeyer. Both men had favoured nudging Lombard up just a quarter of a point – thereby hoping to avoid a rumpus with Germany's foreign partners – but were overruled by the rest of the council.

With the death last February of Ottomar Werthmöller, the directorate member responsible for administration, followed by Pöhl's resignation in the summer, there has been a significant shift in the balance of power on the council. Neither has been replaced, so that the formerly seven-man central directorate has dwindled to just five, leaving Schlesinger and Tietmeyer – and the three other officials – clearly outnumbered by the 11 regional central bank chiefs, who have become greatly more outspoken and independent during the last decade.

One reason for foot-dragging by the Christian Democrat-led government in Bonn is that tradition dictates it must choose at least one Social Democrat for the directorate. All the remaining five are either members of, or politically close to, parties within Chancellor Helmut Kohl's centre-right coalition – whereas Pöhl was a social democrat.

One candidate who would fit the bill to replace Werthmöller is Werner Schulz, presi*dent of the Schleswig-Holstein* regional central bank. His current position is due to be rationalised away under a controversial Bundesbank streamlining plan. As well as being an SPD man he is also an ex-commercial banker – he therefore differs from most newly imported Bundesbankers by actually knowing something about running the inside of a financial institution.

Facelift

■ Employers using recruitment consultants should beware of the "estate agent's approach" some use in reporting on the short-listed candidates they put forward.

Take for instance the one described as: "An upright man, with a military bearing and healthy outdoor complexion". The consultant's original interview notes on the same candidate read: "Looks like a boozy old regimental sergeant major".

Cirencester Life

■ A cynic might feel that the last thing the world needs is another life insurance company, but that's precisely what Sir Mark Weinberg, the man behind the development of Abbey *Life and Hambro Life*, launched yesterday in the splendid surroundings of Lord Rothschild's Spencer House.

The new Cirencester-based J Rothschild Assurance might seem to face an uphill struggle initially. Two-thirds of its 180 salesmen have defected from Allied Dunbar and are subject to a one year moratorium on selling to old clients. So those salesmen will be relying on referrals for new business.

Many might feel that the best way to lose a friend is to pass his or her name to a life assurance salesman but Sir Mark's right hand man, Mike *Wilson, is confident.*

"I made a New Year's resolution to believe in the economy"

He says that former clients are sympathetic and that the salesmen see the task as a refreshing challenge. Since even a good salesman will sell only 120-150 policies a year – but earn around £50,000 in the process – one can understand the incentive.

Trouble-shooter

■ Glad to see that Peter Grant, the ex-Lazards banker parachuted in to the chairman's seat at the deeply-indebted Lep Group, is not letting its financial troubles spoil his New Year fun.

Yesterday's formal announcement that he had replaced John Read, architect of Lep's over-ambitious growth, included a contact number. But when Observer tried to contact Lep's would-be saviour, Grant had gone shooting and was not expected back for another day or two.

This laid-back behaviour may be acceptable in some City merchant bank parlours, *but it is hardly calculated to reassure nervous shareholders.* Lep's shares have fallen by another third since the first news of Grant's appointment six weeks ago.

The group is without a chief executive and the job of selling its National Guardian subsidiary – the key to its survival *– is in the hands of a* little-known US merchant banking subsidiary of France's Crédit Agricole.

Falklands salute

■ The New Year might strike *fear and loathing into many* stout hearts of oak but not those in the most southerly outposts of the British empire. Falkland Islanders, who are among the world's wealthiest people per capita thanks to fishing licences, are preparing for a year of celebrations; 1992 is the islands' "Heritage Year".

Various beanos will commemorate the 400th anniversary of the first sighting of the islands; the 100th anniversary of the consecration of Christ Church Cathedral; the 100th anniversary of the Falkland Islands Volunteer Defence Force; and the rather touchy 10th anniversary of the British victory over Argentina in the 1982 Falklands war.

Many of the great and good – including the Archbishop of Canterbury next month – are due to visit Stanley in 1992. Sadly, Prime Minister John Major has already cried off. In his *Christmas* message to the Falklands he pleaded a full diary – "getting away from Downing Street even as far as Chequers is quite an achievement these days."

Perhaps Mrs Thatcher could be asked to stand in?

Body language

■ Most suggestive pointer for 1992 comes in the fashion pages of the London Evening Standard, which reports: "As the body has become an accepted part of most women's wardrobes, so the choice of styles available has increased."

Some optimism may be justified in Germany, writes Norbert Walter

A year of transition

The US and the world economy have had more than just a cold. Instead of the promised recovery in 1991, we have experienced a double dip. Consumer confidence is down and the business climate is chilly. Fiscal policy is incapacitated by high public deficits worldwide. Re-regulation by the Bank for International Settlements, and sound banking practices, helped restore profit margins in banking and prevented lower refinancing costs from being passed on to consumers and investors: monetary policy, expansionary for more than a year, now seems to have lost its effectiveness. Thus uncertainty increases as to whether the recession can be overcome in the foreseeable future.

The German economy is perceived by Germans and international observers alike to have been almost completely separated from the worldwide slowdown by its unification process. Growth in 1989-90 and even at the start of 1991 was a remarkably high 4 per cent.

By mid-1991 the business cycle started to tumble in western Germany, principally for three reasons: international demand was consistently weak; the impact of the Bundesbank's restrictive monetary policies; and the deflationary effects of big tax increases (amounting to 1.5 per cent of GNP) to meet the costs of unification. It took some time to realise this, because observers tend to analyse the German economy on the basis of year-on-year figures. On a quarter-to-quarter basis it is obvious the (west) German economy has – at best – been stagnating since mid-year.

Now a growing number of pessimists are voicing their concerns. These Cassandras – especially after the recent increases in discount and Lombard rates – see Germany sliding into an outright recession.

In the year ahead various cyclical and structural factors will be at work. The cyclical factors will produce more negative news, probably until mid-year. Thereafter net exports and fiscal impulses should support the recovery.

The structural factors – with the exception of the repercussions of developments in the former Soviet Union – will foster prosperity.

While doubts are mounting whether monetary expansion is still effective, I strongly believe that by early summer markets in north America and the UK will begin to recover. Prospects for German exports will have improved by then.

But two obstacles stand in the way of such a change. First, a significant strengthening of the D-Mark against the dollar; and second, a substantial gain of market share on the part of Japanese and other south-east Asian companies as a result of aggressive international selling in the wake of a domestic slump in these countries.

Another cyclical factor that will support the German recovery is the expiry by mid-1992 of the so-called "unification tax" – the 7.5 per cent surcharge on income and corporate taxes designed to pay for unification.

Since many arguments, particularly lower inflation, support an easing of German – and consequently European – monetary policy after mid-1992, the effects of monetary expansion will make themselves felt after the usual time lag of roughly two quarters. The Bundesbank's recent use of the interest rate whip has shown that its policy is likely to remain restrictive until mid-1992, as it considers current wage demands as excessive and inflation unacceptably high. Only then will the consumer price index (year-on-year) fall below 4 per cent.

In the second half of the year the economy will also benefit from a (short-lived) stimulus due to advance purchases of consumer durables, resulting from VAT increases effective from January 1 1993. It is not yet clear whether Germany's tax amendment law – including, besides the VAT increase, cuts in some corporate taxes – will be passed by the Bundesrat (upper house). But even if the legislation is rejected, the planned tax package would still have some positive effects. It would, for instance, force the government to cut spending to slim the budget deficit. An unchanged VAT rate would mean a lower inflation rate in 1993. This could foster expectations of a further relaxation of monetary policy in 1993 and thus stimulate the economy.

Investment activity will also be encouraged by the ongoing process of European integration and the creation of the European Economic Area (EEA). Besides, there are other structural factors supporting a more optimistic outlook for Germany. In east Germany the trough in economic activity has been reached. The economic take-off there will trigger strong investment growth. This dynamic demand for investment goods will to a large extent be met by deliveries from western Germany.

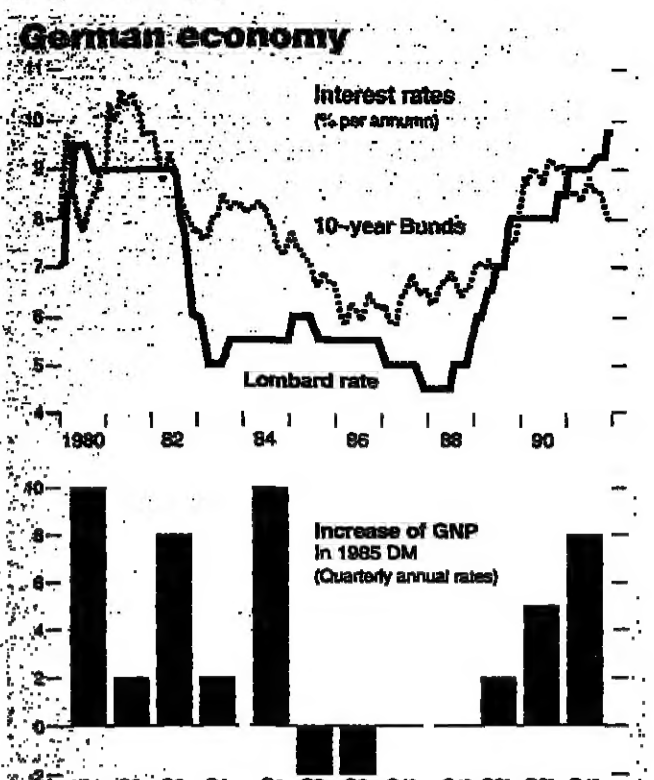
A factor that went almost unnoticed will continue to lend strength to the German economy: namely, the continuing immigration which is increasing the country's labour force by about 1 per cent and its population by some 1.5 per cent a year.

All in all, 1992 will be a year of transition. Since the start of the year will be poor, annual averages of growth will be unimpressive: economic activity in west Germany will increase by only 1¼ per cent, employment will be up by only 1 per cent rather than the 3 per cent achieved in 1991. Private investment will expand by only 3 per cent to 4 per cent rather than the double-digit numbers of the past three years. However, east German GNP is likely to expand by 10 per cent, after a decline of some 20 per cent last year. This should not be misread as a self-sustained, broadly based recovery, but rather as a bouncing back after a shake-out.

But during the course of 1992 the economic pace should accelerate. In the period 1992-95 growth rates should be comparable to those of 1989-90. This medium-term forecast will look over-optimistic throughout most of 1992, since sentiment always lags behind facts by half a year. It will look ridiculously high over the next quarter, when business and consumer confidence reaches a trough by spring.

Rough economic conditions during the winter do not bode well for forceful action to solve international problems, be it the Gatt, the former Soviet Union, Yugoslavia, or even the institutional completion of western Europe. Here Murphy's law may apply until the summer. But crises – or the perception of crisis – frequently give rise to a change in attitude. Some optimism may, therefore, be justified.

The author is chief economist of Deutsche Bank



Hiroshi Takeuchi says Japan is facing a difficult readjustment

The bubble has burst

The Japanese economy, a powerhouse of growth in the industrialised world in the 1980s, is slowing down fast, curbed by recessionary forces similar to those which have hit much of the globe.

After the longest period of unbroken expansion since the second world war, Japan faces a difficult period of readjustment. High interest rates have ended a boom fuelled by the financial "bubble" of the late 1980s in which the prices of investment assets soared to unsustainable levels. Consumers are cutting purchases of luxury goods. Companies, which made use of cheap money in the 1980s to invest in plant and equipment, are being forced to reduce their capital expenditure growth sharply. Meanwhile, export demand is weak in north America, Japan's largest market.

Real economic growth is likely to fall from 3.5 per cent in the year to March, to about 3 per cent in the following financial year.

Even though interest rates are expected to fall further as the economy slows, their current high level will be a drag on the economy. So will the impact of a sharp decline in property prices, which has been particularly severe in Tokyo and in Osaka. Land prices are still some 30 per cent above 1985 levels – before the explosion in prices began – and are expected to fall further this year. The decline will continue for about a year.

The amount of property for sale will continue to increase because companies which invested heavily in land, as well as banks and finance companies that lent them money, will try to unload property to stave off financial crises. As land prices fall, so investment in property will remain sluggish. Potential buyers are unlikely to move until they feel prices have bottomed and interest rates have come down. Housing starts have already fallen heavily, from 1.8m in 1990 to about 1.3m last year.

Meanwhile, the sharp decline in the stock market, which has affected both equity prices and trading volumes in the past two years, continues to act as a restraint on companies wanting to invest in plant and equipment. As soon as the market shows any sign of recovering, industrial companies and banks will probably try to raise equity funds by issuing stock – thereby pushing the market down once more. Banks need equity funds in order to meet international standards on capital adequacy laid down by the Bank for International Settlements. Under BIS rules, Japanese banks must have, by March 1993, capital equivalent to 8 per cent of their assets.

Under these circumstances, it is natural that companies are cutting capital investment. Investment growth will fall from about 4 per cent in 1991 to zero next year.

This is a sharp contrast to the three years to 1990 when capital investment expanded at a rate of about 15 per cent a year. Companies invested in labour-saving equipment to cope with shortages of workers, in information technology and in the construction of new factories and offices. Capacity was updated and expanded.

By issuing convertible bonds, bonds with warrants and equity finance, corporations could raise funds at an effective rate of as low as 0.3 per cent. Medium-sized and small companies could also borrow from financial institutions at low rates of interest.

Now the actual cost of capital for large groups has risen to more than 7 per cent. Also, companies feel less pressure to invest because capacity has reached satisfactory levels in almost every industry and depreciation costs are rising because a growing proportion of the plant is new.

Nevertheless, the remarkable development of microelectronics technology is driving considerable changes in Japanese industry and society. Labour shortages will continue to get more severe. The centralisation of economic power in Tokyo and Osaka and other large cities has been dramatic and has stimulated demand for considerable investment. So the underlying reasons for investment will remain strong.

Also, even though spending on luxuries has fallen, overall consumer expenditure in Japan is still strong, fuelled by considerable increases in wages. Certainly, the mood has changed since the bubble burst – there is less traffic in metropolitan Tokyo, women's fashions are more conservative and there are more serious shows on television. But consumers still have increasing amounts of money in their hands. Even though the economy is slowing, employers are having to pay higher wages because of the shortage of workers.

Nevertheless specific sectors are suffering quite severe downturns in demand. Housing *is one example. So is the auto* industry, where demand for new vehicles has fallen from 5.1m in 1990 to about 4.8m in 1991 due to the increase in interest rates and changes in parking rules. Would-be car owners in Japan have to prove that they have a registered parking space before they are allowed to buy.

The capital goods industries, including steel, chemicals, non-ferrous metals and electricals, are feeling the impact of the decline in investment growth. Even the high-growth electronics industry is suffering because financial companies – big investors in computer systems – have cut orders. The effect on the cyclical semiconductor industry is particularly severe.

In response to the slowdown in growth, the Bank of Japan has steadily eased interest rates. This week Mr Yasushi Mieno, the governor of the Bank of Japan, cut the Official Discount Rate from 5 per cent to 4.5 per cent – the second reduction in less than six weeks and the third in 1991. The purpose was to boost business confidence. Mr Mieno said the cut had been timed to precede the last quarter of the Japanese financial year when most companies would be drafting their investment plans for the year starting in April.

Mr Mieno denied that the timing of the cut had anything to do with the visit to Japan of Mr George Bush, the US president, next week. He has serious economic grievances on his agenda, caused by Japan's persistent trade surplus with the US. However, Mr Tsutomu Hata, the Japanese finance minister, praised the timing of the ODR cut, saying it would meet US expectations.

The Japanese government will this year implement some measures to boost the economy, including increasing public investment. Such investments will begin in the autumn, but they will have only a marginal effect on the economy as a whole.

The author is chairman of the board of counsellors of the LTCB Institute of Research and Consulting, and the former chief economist of the Long Term Credit Bank.

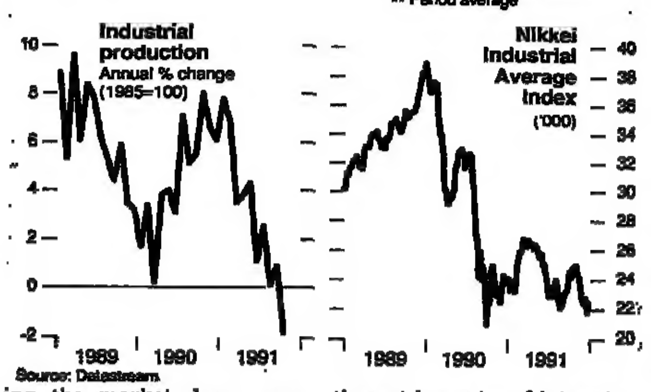
Japanese economy

Percentage changes from previous year, seasonally adjusted at annual rates, volume (1985 prices)

	1990	1991	1992
Private consumption	4.0	2.9	3.6
Government consumption	1.4	2.1	1.5
Gross fixed investment	10.9	4.0	1.8
Exports of goods & services	10.9	5.3	3.0
Imports of goods & services	11.9	-1.6	5.7
GNP at market prices	5.6	4.5	2.4
Consumer prices *	2.4	2.7	2.0
Industrial production	4.6	2.3	2.4
Unemployment rate **	2.1	2.2	2.3

Source: OECD

* Private consumption deflator
** Period average



Source: Datastream

LETTERS

Snobbery is not the prerogative of the English

From Mr Christopher Minter.

Sir, Your leader, "An honourable case for change" (December 30), attempts to justify an abolition of the hereditary principle within the House of Lords on the basis that it would remove a great deal of snobbery from the UK.

As anyone who has lived and worked in either France or Germany realises, social snobbery is not the prerogative of England alone. The very fact that no new peers are created on the Continent (with the exception of the Vatican) means that in many circles titles are regarded with a kind of awe due to that which is unobtainable. The difference between the continentals' fascination with aristocracy and our own is primarily that, in England, it is continually discussed and deplored by newspaper editors.

As far as hereditary privilege being undemocratic, what could be more Athenian than to have an element of the legislature selected purely on the basis of accident of birth?

Christopher Minter,
Walnut Tree Cottage,
New Road,
Wilstone,
Tring, Herts HP23 4NZ

A revaluation, not devaluation

From Mr Walter Grey.

Sir, The chancellor ("Ingredients for recovery are in place", December 31), was quite right, of course, to set his face against a sterling devaluation and its consequences.

"Never again!" should be Britain's watchword.

But how about a revaluation of the D-Mark against all other currencies, sterling included, none of which would therefore be singled out for special treatment and be made to feel humiliated?

The consequences here, by both helping the D-Mark to regain price stability (after the added strains of German monetary union) and taking some of the pressure off its partners, could be beneficial to all concerned.

Walter Grey,
12 Ar[illegible],
Finchley,
London N[illegible]

Chancellor is right to reject the quick fix

From Mr David Howell MP.

Sir, The voices from the backbenches and elsewhere calling for an economic quick fix, exemplify the reasons why, for too much of the post-Second World War period, the pound has been a weak and suspect currency.

How right the chancellor is to reject all the special pleading, however it is dressed up. He is right, too, that an attempt at unilateral realignment now, even if it were possible, would probably lead to higher interest rates, more misery and still slower recovery, as well as to immense and lasting longer-term damage.

But how much better still it would now be if monetary and exchange rate policies were handled by an independent central monetary authority (although obviously with an ultimate political override). It would then be understood by markets beyond doubt that these matters were, to a degree, insulated from short-term political panics and pressures.

An extra blessing would be to obviate the need for newspapers to trawl around for the opinions of lesser political fry over holiday periods, or to endow these opinions with any significance beyond their own minute worth.

David Howell,
House of Commons,
London SW1A 0AA

Price stability, Shakespeare and the life of the gold standard

From Mr Peter M Oppenheimer.

Sir, Walter Eltis ("Sound money – a Dutch treat", December 30) reminds us of the price stability achieved by Britain under the Gold Standard from 1711 to 1931. He does not, however, tell the whole story.

For one thing, price stability preceded establishment of the gold standard by at least a century. The crisis of 1695 which Eltis describes was an interruption to monetary stability just like the French Revolutionary and Napoleonic wars a century later or the world wars this century.

In Shakespeare's Henry IV, part 1, written (probably) in 1597 when the inflation of the 16th century had ended, Falstaff incurs the following bill for refreshments at the Boar's Head tavern: "Item, a capon, 2s 2d; Item, sauce, 4d; Item, sack, two gallons, 5s 8d; Item, anchovies and sack after supper, 2s 6d; Item, bread, a halfpenny".

Even ignoring the fact that a halfpenny of bread was meant as a joke ("O monstrous! but one halfpennyworth of bread to this intolerable deal of sack!"), these numbers would have been entirely familiar to London office workers in the mid-1950s, when the cost of a standard restaurant lunch was 5 shillings.

Second, in the 19th century the monetary expansion required by economic growth would never have come about if money stocks had been tied to the availability of gold reserves. What saved the day was financial innovation in the form of banking development which allowed continuous diminution in the ratio of gold to national money supply.

The gold standard was an excellent institution, but its long preservation was as much a result of price stability as a cause of it.

Peter M Oppenheimer,
Christ Church,
Oxon OX1 1DP

Banking on a real demand

From Mr Barry Hyman.

Sir, May a retailer express a view about the letter from Mr John Saunders (Letters, December 21), National Westminster Bank Professor of Marketing at Loughborough University Business School, who talks of the "unholy trinity of church, unions and retailers".

Trading on Sundays may well bring greater convenience to customers in certain fields, such as DIY, furniture and local neighbourhood services. There is absolutely no evidence to suggest that the public is crying out for a seventh day on which to purchase food or clothing.

When the law is rationalised, as it surely will be, some of us who will not contravene current UK legislation may wish to ease congestion and assist customers by opening on the occasional Sunday. I would suggest, however, that in view of his title, Mr Saunders might like, as a first priority, to point up the archaic and arbitrary nature of bank opening hours. It would be infinitely more helpful to the nation if banks opened for a whole working day on five, or, perish the thought, six days a week.

Now that would be meeting a real demand, as opposed to the fanciful one that shoppers are stampeding to Sunday trading venues.

Barry Hyman,
head of media relations,
Marks and Spencer,
Michael House,
Baker Street, W1A 1DN

No position for an unqualified assertion on pensions rights

From Mr Michael Elton.

Sir, I have not suggested, as Bryn Davies (Letters, December 30) implies, that in the Barber case the European Court of Justice changed the law as opposed to interpreting Article 119 of the Treaty of Rome.

The court did, however, conclude that with limited exceptions "the direct effect of Article 119 of the Treaty may not be relied upon in order to claim entitlement to a pension with effect from a date prior to that of this judgment" (May 17 1990).

Although – indeed because – these words are open to further interpretation by the European Court, I certainly maintain my view that Mr Davies is not in a position to make the unqualified assertion that the Maastricht protocol takes away the right of employees to equal pensions from the time when the UK acceded to the treaty (January 1 1973).

Michael Elton,
director general,
National Association of Pension Funds,
12-18 Grosvenor Gardens,
London SW1W 0DH

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Friday January 3 1992

President calls for Japanese concessions but refuses to modify US protectionism

Bush blames Japan and EC for farm trade subsidies row

By Kevin Brown in Sydney and **Lionel Barber** in Washington

PRESIDENT George Bush yesterday rebuffed Australian farmers demanding an end to US farm subsidies, declaring that the European Community and Japan were mainly to blame for protectionism in world trade.

On his four-nation Pacific tour, Mr Bush also made clear that he wants Japan to make trade concessions during his talks in Tokyo next week, particularly in opening its market to the hard-hit US car industry.

After facing protests by more than 3,000 Australian farmers complaining that US subsidies were costing them hundreds of millions of dollars a year, Mr Bush delivered a tough trade speech to a session of the federal parliament in Canberra.

He told members that US subsidies – known as the Export Enhancement Programme (EEP) – were needed to offset an "avalanche" of subsidised exports by the European Community. The US would not halt the EEP programme of subsidies until the EC cut its own export subsidies, he said.

Asked at a news conference to explain the apparent double standard of refusing to modify US protectionist policies while demanding big concessions from Japan, Mr Bush replied: "We've never said we're totally pure."

The EEP programme was the main source of friction in talks in Canberra between Mr Bush and Mr Paul Keating, the Australian prime minister, who urged the US to avoid traditional markets for non-subsidised Australian grain.

The US programme subsidises the disposal of US grain in world markets. Australia claims the programme has reduced world grain prices and forced non-subsidised Australian exports out of traditional markets, notably in the Middle East, where US sales have increased since the Gulf War.

Mr Bush said the best solution would be an agreement on freer agricultural trade in the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) which is expected to conclude shortly.

During his news conference with Mr Keating, Mr Bush sounded much like a candidate running for re-election, with one eye on the upcoming Republican primaries.

He attacked the EC and Japan for unfair trade practices, and singled out Japan's trade surplus for renewed criticism. The surplus was costing American jobs and slowing the US recovery, he said.

After Mr Keating raised fears that the proposed North American Free Trade Pact between the US and Mexico would polarise the world into trade blocs, Mr Bush offered assurances to the contrary. "It will lower internal barriers without raising external barriers and our growth will stimulate yours," he said.

Apart from Japan, Mr Bush's tour also takes in Singapore and South Korea.

Australian farmers protest outside the parliament buildings in Canberra

Dislocated professionals consider a bleak future, Page 3
US farming's clouded outlook, Page 14

Governor rejects devaluation and rules out rise in UK interest rates

Bank of England eases sterling fear

By Peter Marsh, Economics Staff, in London

FEARS of a sterling crisis receded yesterday after Mr Robin Leigh-Pemberton, governor of the Bank of England, ruled out any immediate move to increase UK interest rates and insisted that the pound would not be devalued within the European exchange rate mechanism (ERM).

Mr Leigh-Pemberton's comments helped the pound to gain strength against a weaker D-Mark, although in both London and New York the recent rally in share prices showed signs of fizzling out.

The governor's remarks appear to be part of a concerted effort by the government to convince the world that the pound will stay within its ERM bands, damping pressure by currency investors to sell the unit.

Last night in London the pound closed against a weaker D-Mark at DM2.8550, up 1¾ pfennigs on Tuesday's close and roughly 2¼ pfennigs above its effective lower limit in the ERM.

But the support for sterling by foreign-exchange investors had little influence on the London stock market, where the FT-SE 100 index shed an early 37-point gain to finish 0.3 down on Tuesday's close at 2,492.8.

Much of the decline was in reaction to a weak opening on Wall Street, where around noon in New York the Dow Jones Industrial Average was quoted at 3,147.81, down 21.02.

Also, in thin trading, many big UK institutions failed to provide the buying pressure necessary for the London market to continue its 4 per cent rise over the past two weeks, during which prices on Wall Street have increased by 8 per cent.

In his comments on British television, Mr Leigh-Pemberton said sterling had a "better tone", and repeated the message earlier this week from Mr John Major, the prime minister, and Mr Norman Lamont, the chancellor, that devaluation was not an option.

Such a move would be a "knee-jerk" reaction that could damage confidence and ruin the effort to stabilise the pound following ERM entry 15 months ago.

The governor also insisted that the economy was on course to recover. "We must keep our nerve," he said.

The pound has been under pressure since just before Christmas when all the other ERM members increased interest rates, following Germany's lead.

That has led to speculation that Mr Lamont might be forced to take the politically unpopular step of increasing UK borrowing rates in the run-up to the general election and while the economy is still flagging.

On currency markets, meanwhile, many dealers remain wary about the prospects for sterling. While in the past two weeks the pound has failed to drift closely enough to its lower limit in the ERM to ring alarm bells in the Treasury, more investors might be tempted to sell the unit in favour of other currencies once trading picks up after the holiday break.

Shamir wins approval for 1992 budget

By Hugh Carnegy in Jerusalem

MR YITZHAK SHAMIR, the Israeli prime minister, last night dug himself out of a government crisis which had beset him since New Year's Eve, winning parliamentary approval for his 1992 budget.

The approval came after concessions to rightwing and religious coalition factions which may yet have unwelcome political and economic consequences.

Agreement between the National Religious party and the Shas ultra-orthodox religious party on the distribution of funds to educational and other client institutions removed the last obstacle to a Knesset majority for the budget, which should have been in effect by the beginning of the financial year on January 1. It was eventually passed by 60 votes to 53. The vote was a relief for Mr Shamir – virtually sealed into the parliament building with his fellow MPs by the heaviest snowfalls in Jerusalem for more than 30 years – after days of intensive haggling with the small government parties involving the handout of hundreds of millions of shekels in extra spending.

However, commitments to two extreme rightwing parties, Tehiya and Moledet, to increase building and other development in Jewish settlements in the occupied territories will anger Washington at a time when Israel badly needs extra US financial assistance in the form of $10bn in loan guarantees to help it absorb mass Jewish immigration from the former Soviet Union.

The US and other investors that Israel is seeking to attract to stimulate growth are also likely to have disapproved of the way the budget was forced through. Officially, the government said the cost of the various last-minute deals would not inflate the projected budget deficit this year of 6.2 per cent of gross domestic product. There is some slack in the budget due to lower than anticipated rates of immigration.

Officials said the final cost of concessions to the right-wing and religious parties would be Shk220m ($100m), which would be taken out of the budget reserves. The Shk300m cost of maintaining an accelerated depreciation tax incentive to industry and agriculture would be made up in other tax measures.

But the most expensive item, a Shk1.1bn increase in state-subsidised mortgage lending, was simply being kept off the books for the time being to avoid a large-scale redrafting of the budget.

Mr Shamir immediately faced another Knesset wrangle last night on a proposal to introduce a system of direct elections for the office of prime minister.

The reform is an attempt to end the influence of small parties on government by creating a strengthened premier with powers close to those of an executive president. But the publicly uninspiring Mr Shamir is bitterly opposed to the measure, which he believes would favour the opposition Labour party over his Likud party.

Georgia ultimatum

Continued from Page 1

the morning.

The helicopter also attempted to drop a petrol tank on the Interior Ministry, two miles from the government building, but was driven back by a sniper on the roof top and dropped the load elsewhere.

Mr Gamsakhurdia repeated his consistent claims that Moscow supported the opposition to his presidency, and was participating in a plot to keep control of Georgia, which occupied an important strategic position as the gateway to the Caucasus.

He said, however, that he wished to avoid bloodshed, and his forces were firing on the opposition only in self-defence.

"We are trying to stop the killing but they are terrorists. They continue to shoot at us, and we have to defend ourselves."

Mr Gamsakhurdia said negotiations between the two sides were impossible as long as the opposition continued to insist that his resignation must precede any talks.

He said that opposition claims that Georgia was not ready for presidential rule were misguided.

Russian price rises

Continued from Page 1

while conceding that the economic situation had become so desperate that the government had little choice but to institute the reforms.

Mr Sergei Shibayev, managing director of the Moscow office of accountants Ernst and Young, said reform "was the *only thing available to perhaps* make things better by the end of the year"

He said it would "give some kind of signal to producers and business." But the problem was that other signals were also being given. "The top rate of income tax is 60 per cent - you cannot create capital in that way".

Tax rates, agreed in the past few weeks, reflect the government's hunger for both roubles and hard currency to balance the budget after a year in which almost no income came in.

Value added tax is to be set *at 28 per cent and profit* tax at 32 per cent. The government has retained the system under which enterprises earning hard currency must sell 40 per cent of it to the government at a low rate of exchange.

Japanese home in on British house style

By Andrew Baxter
in London

BRITISH EXPORTS to Japan received an unusual boost yesterday with the announcement of a pioneering deal that brings home to Japanese families the attractions of English village housing design – and *still lets them take a bath* downstairs.

Under a licensing deal between Beazer Homes, the UK's third largest housebuilder, and Kureha Construction, a subsidiary of Japan's Kureha Chemical, the Japanese businessman will soon be able to come home to a mock-Tudor or Elizabethan house, complete with English village-style landscaping.

The deal is claimed to be the first in which British housing designs have been exported to Japan, and panders to a Japanese view of British goods: "Anything that is British will be looked at as quality," said Mr Dennis Webb, managing director of Beazer Homes.

But the British export coup goes only skin deep. Japanese homebuyers might want a mock-Tudor facade and landscaping to match, but once they are through the front door, local preferences will prevail – Japanese layouts with large bathrooms downstairs and family areas with *tatami* matting.

And, just in case the idea of traditionally solid British construction methods cause the occupants to tremble at the thought of an earthquake, Beazer's double-skinned timber-frame houses will be redesigned with flexible single skins. Designers will work out how to obtain the best brick effect without the rigidity of real bricks, Mr Webb said.

The concept of selling English village housing in one of the world's most densely populated countries might seem an improbable one, but Mr Webb says there is more room for such housing away from Tokyo.

In the first stage of the agreement, Beazer will license Kureha to use its names and house styles, and receive a fixed percentage royalty for every house completed.

It is expected that about 60 houses will be built over the next two years, with the first on sale early this year for around £170,000 ($309,400).

The second stage, for which no date has been given, will involve the export of entire timber-frame house kits.

THE LEX COLUMN

Ups and downs on Wall Street

Wall Street's extraordinary year-end performance has doubtless left investors more confused than ever. The trigger for the rally was the Federal Reserve's decision a fortnight ago to cut the discount rate to 3.5 per cent. It is a matter of debate whether the cut was made in belated recognition of a US economy on its knees; or whether the Fed believed it could tip the balance decisively in favour of recovery. But with the equity market now around 8 per cent higher, the argument appears to have reverted to that familiar topic of 1991, the timing of recovery.

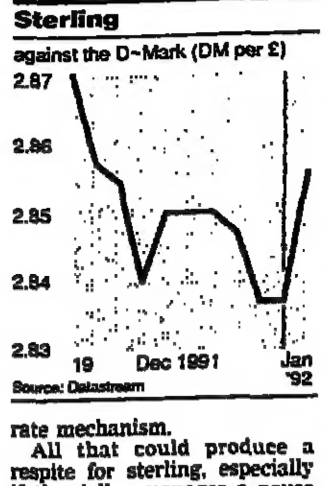
The latest signs from the real economy show just how grim things remain – yesterday's *manufacturing* purchasing managers index and construction spending figures both indicated renewed weakness. It was perhaps surprising that Wall Street did not react more negatively, but the suspicion that the rally was founded on sand nevertheless gained credence.

The retail investors who pushed the market along have been reacting more to lower rates on their money market funds than to any well-founded perception that shares are cheap. Indeed, this year's prospective multiple on the S&P Composite index is already steep at around 22 times earnings. *Short-term considerations* such as the cost of money are not an informative guide to the dividend streams which traditionally underpin equity values. But the dilemma for the market is that interest rates could yet come down again, fuelling further paper asset inflation – all the more so *since there still appears to be* plenty of foot-loose money in the money markets.

FT-SE Index: 2,492.8 (-0.3)

Sterling

against the D-Mark (DM per £)



Source: Datastream

Currencies

The Jeremiahs who had expected 1992 to start with a good old-fashioned run on sterling were disappointed yesterday. Perhaps the reason was in part that many dealers will not return to their desks till next week; but there are also now some factors restraining the D-Mark. Russian price reform has underlined the economic crisis in the former Soviet Union, while Japan looks likely to talk the yen up in order to alleviate trade friction with the US. The short-term pull of high German interest rates appears less attractive as the economic prospects of that country deteriorate. That may in turn dampen the trend towards polarisation of currencies within the European exchange rate mechanism.

All that could produce a respite for sterling, especially if the dollar manages a pause on its long downward decline. Yet the UK currency is not out of the woods as long as the interest differential with Germany is only 0.75 percentage points. It may have been easy yesterday for the governor of the Bank of England to dismiss any immediate threat of higher rates, but the money market is still discounting an increase of nearly 0.5 percentage points even if three-month money is a shade cheaper than it was before the New Year. That is not a situation which can last indefinitely. The authorities could still face some awkward decisions in the weeks to come. After their emphatic determination to defend sterling with higher rates if necessary, it would be all the harder for them to duck a challenge from the exchange markets.

GTE/Sprint

The sale by GTE to United Telecom of its 20 per cent stake in Sprint looks like a backward step for the US long distance market. The $530m deal hands Sprint back into full ownership by United. The price looks absurdly cheap by international standards, although an old option agreement between the two companies dictated that.

GTE tried to sell its stake to a third party, but, since players like Cable & Wireless apparently baulked at the higher price asked of outsiders, United and MCI will remain the only real competitors to AT&T. The US long distance market has been steadfastly resisting the trend towards globalisation of the telecoms industry. Until the regulatory climate changes, even a more powerful United offers little attraction to outsiders wanting to enter the market.

British Aerospace

It is a measure of investor disillusion with British Aerospace that the shares conspicuously lagged the end-year stock market rally. Since the Footsie bottomed out on December 23, BAe has underperformed the market by 6.5 per cent; over the last six months the underperformance is 47 per cent. Recent positive news has failed to impress, including this week's signal from the US State Department that it no longer objects to the sale of the 146 regional jet to Iran.

The problem is that, even setting aside the £250m exceptional restructuring charge announced in mid-1991, there is still no sign of a profits stream sufficient to staunch BAe's outflow of cash. Negotiations on the second phase of the Al Yamamah defence contract, once promised for the end of 1991, are still apparently making progress, but doubts remain over the scope of any final deal or how much cash it will generate initially. The UK car market remains depressed, while demand is also turning down in France, Rover's largest export destination in Europe. As for Airbus, the weak dollar looks set to make for disappointing earnings from that quarter.

On an historic basis the shares now yield nearly 11 per cent, but this means little when future dividends must be in doubt. Even after yesterday's 13p fall to 306p, the paper hardly represents a bargain.

Ratners

Ratners shares have fallen so far in recent months that they barely reacted to the threatened move into Chapter 11 of Zale, the leading US jeweller. Granted, they had already dropped by more than 10 per cent yesterday on worries about the group's Christmas trading performance. But Zale's angry creditors have served an unwelcome reminder to the market that Ratners is vulnerable to more than the depressed UK high street. Its US business is an obvious candidate for sale should the group require a refinancing of its debts. While the issue of what that business might fetch is more germane than ever, the likely figure is shrinking all the time. Zale's decline will surely benefit Ratners in the long term. The question is whether Ratners has enough time in hand.

WORLDWIDE WEATHER

City		°C	°F
Ajaccio	F	13	55
Algiers	S	16	61
Amsterdam	C	8	46
Athens	S	9	48
Bahrain	S	20	68
Bangkok	F	33	91
Barcelona	S	12	54
Beirut		–	–
Belfast	R	11	52
Belgrade	S	2	36
Berlin	C	7	45
Biarritz	S	4	39
Bombay	S	28	82
Bordeaux	C	2	36
Boulogne	C	8	46
Brussels	C	4	39
Budapest	S	5	41
Buenos Aires	R	23	73
Cairo	F	9	48
Cape Town	S	27	81
Caracas	C	28	82
Casablanca	S	17	63
Chicago		–	–
Cologne	C	8	46
Copenhagen	C	8	46
Corfu	S	10	50
Dallas		–	–
Dublin	C	12	54
Dubrovnik		–	–
Edinburgh	R	11	52
Faro	F	15	59
Florence	S	6	43
Frankfurt	C	2	36
Geneva	C	-2	28
Gibraltar	F	15	59
Glasgow	R	10	50
Helsinki	S	2	36
Hong Kong	Dr	17	63
Innsbruck	S	2	36
Inverness	R	12	54
Islamabad	F	16	30
Istanbul	F	3	37
Jakarta	R	32	90
Jersey	F	7	45
Johannesburg	F	24	75
Lima		–	–
Lisbon	S	9	48
London	C	11	52
Los Angeles		–	–
Luxembourg	Fg	-1	30
Madeira	C	17	63
Madrid	S	10	50
Majorca	F	14	57
Malaga	S	16	61
Malta	F	14	57
Manchester	C	10	50
Manila	F	32	90
Melbourne	C	18	64
Mexico City	C	18	64
Miami		–	–
Milan	S	2	36
Montreal		–	–
Moscow	Sn	-8	18
Munich	S	8	46
Nairobi	S	26	79
Naples	S	11	52
Nassau	C	26	79
New Delhi	S	18	64
New York		–	–
Nice	F	11	52
Nicosia	F	9	48
Oporto	S	9	48
Oslo	F	0	32
Paris	C	1	34
Peking	S	2	36
Prague	S	3	37
Reykjavik	C	-2	28
Rhodes	S	7	45
Rio de Janeiro	F	38	100
Rome	S	11	52
Salzburg	S	5	41
San Francisco		–	–
Seoul	S	4	39
Singapore	F	28	82
Stockholm	Dr	3	37
Strasbourg	S	2	36
Sydney	S	25	77
Taipei	R	17	63
Tangier	S	16	61
Tel Aviv	F	3	37
Tenerife	F	18	64
Tokyo	S	11	52
Toronto		–	–
Tunis	F	14	57
Valencia	Dr	9	48
Venice	F	2	36
Vienna	S	12	54
Warsaw	C	4	39
Washington		–	–
Zurich	S	3	37

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

Friday January 3 1992

INSIDE

Lufthansa warns of need to cut costs

Mr Jürgen Weber, chief executive of the German airline Lufthansa, yesterday warned employees that costs would have to fall rapidly if it is to avoid "bitter consequences" from the competition. The carrier has already said that it would make an operating loss in 1991 as a result of poor business in the first quarter when the industry was hit by the Gulf war. Page 13

FDA approves SmithKline drug

The US Food and Drug Administration has approved SmithKline Beecham's arthritis drug Relifen, giving the UK company access to the US non-steroidal anti-inflammatory drug (NSAID) market worth about $1.7bn a year. SmithKline shares leapt 6 per cent. Page 12

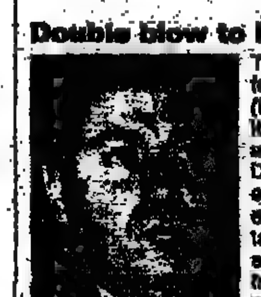
Farmyard blues

American farmers are facing an uncertain new year. The collapse of the Soviet Union puts one of their most lucrative markets in jeopardy; a trade war with China is looming; and a threat of drought looms in some areas when US grain stocks are already uncomfortably low – each a severe blow to a sector where bankruptcies are continuing at a brisk pace. Page 14

Iberian banks join forces

Banco Comercial Portugues (BCP), Portugal's fastest-growing private bank, and Banco Popular Espanol of Spain have joined forces to launch a new bank in France to be named Banco Popular Comercial (BPC). BCP also plans to launch this year a housing finance bank in Portugal. Both moves are designed to make BCP more international before January 1993 when the European Community's financial markets will be fully open. Page 13

Double blow to Parretti



The year ended badly for Mr Giancarlo Parretti (left). The 50-year-old Italian financier was arrested in Italy on December 27, supposedly on charges of tax evasion. Three days later, a US judge awarded continuing control of MGM-Pathe Communications, the Hollywood film company which Mr Parretti acquired in 1990, to his bankers Credit Lyonnais Bank Nederland (CLBN). The judgment was the culmination of a protracted legal wrangle between the Italian businessman and the French-owned bank over control of the famous studio. Nikki Tait looks at the latest twist in a Hollywood epic. Page 13

Sweden looks for foreign favour

Between SKr20bn and SKr30bn ($5.4bn) net of Swedish corporate stock is likely to be bought by foreign investors in 1992 as a result of a change in Swedish law which now enables foreigners to buy, without prior government permission, a limitless number of Swedish shares. The reform promises to increase foreign interest in Swedish shares and will be helped by the sell-off of Swedish state-owned companies due to start this year. Page 13

Kwik-Fit survives criticism

London's stock market yesterday shrugged off criticism of Kwik-Fit Holdings group by a Consumers' Association report on "fast-fit" car servicing centres. The association's magazine said that more than a quarter of 43 Kwik-Fit branches surveyed had recommended unnecessary work on a car taken in to have its "basically sound" exhaust inspected. Page 12

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				RJR Nabisco	10¼	–	⅛
Rises				Pepsico	33¼	–	⅝
Allianz AG	2139	+	40	United Telecom	23¼	–	⅝
BASF	228.6	+	6.9	**PARIS (FFr)**			
Deutsche Bank	683.7	+	12.7	**Rises**			
Lahmeyer	835	+	15	Eurocom	377	+	22
[illegible]	582	+	15.5	Poliet	420	+	24
Falls				**Falls**			
[illegible]	275.3	–	10	[illegible]	895	–	45
NEW YORK ($)				[illegible]	2280	–	170
Rises				Geophysique	465	–	22
General Motors	30⅝	+	1⅝	Intertechnique	888	–	44
[illegible]	35⅝	+	2⅞				
Falls							
GTE	33⅞	–	⅛				

New York prices at 12.30. Tokyo closed.

LONDON (Pence)				Tottenham H.	105	+	3
Rises				Wellcome	1725	+	24
Business Tech	38	+	7	**Falls**			
[illegible]	485	+	17	Brit. Aero.	308	–	14
[illegible]	47	+	2	Eurotunnel	385	–	15
[illegible]	1655	+	47	ICI	1180	–	22
[illegible]	30	+	3	Ladbroke	219	–	13
[illegible]	336	+	10	Ratners	24	–	3
[illegible]	895	+	15	Willis Corr.	238	–	10
[illegible]	380	+	15				
[illegible]	824	+	14				
[illegible]	853	+	15				

Blots on the landscape: nearly one in five offices in Central London is empty as values of offices fall and thousands of "To Let" boards line the streets

Picture: Trevor Humphries

The storm abates for UK property

Vanessa Houlder reports on claims that values will soon recover

Over the past two years, a hurricane has raged in the UK commercial property market. Some £70bn ($127bn) – more than a quarter of the total – has been knocked off the value of shops, offices, factories and warehouses around the country.

Now the storm may be abating. "The property market appears to have reached its turning point," says Hillier Parker, a firm of chartered surveyors which continually monitors the mood of the market.

"The investment market is improving faster than expected," says another surveyor, Savills Commercial. "The sharpest positive movements in the IPD Monthly Index since October 1989 suggests a return of investor confidence," says the Investment Property Databank, a research company.

Bargain hunters are sifting potential acquisitions. "Conditions like these come round once or twice in a generation," says Mr Matthew Oakeshott, a director of OLIM, a fund management group.

But confidence is fragile. For every bull, there is a bear; and even optimists qualify their enthusiasm with caveats about the importance of selecting the right location and tenant. While pockets of retail and industrial property are looking robust, values of Central London offices are still falling fast.

The bulls' case rests on the level of property yields, the ratio of annual income to capital value, which have reached record heights over the past couple of years. When compared with yields of less than two-thirds their current level in the early 1980s, this can be interpreted to mean that property is very cheap. Buyers are further encouraged by signs that yields have started to fall in the autumn, reflecting the reduction in interest rates and an improvement in investor confidence.

But those expecting a cyclical rebound may be disappointed. Some commentators wonder whether the market will ever be quite the same again.

Mr Geoff Marsh, head of Applied Property Research, a research company, believes that the market is undergoing a fundamental restructuring. "This is not a conventional cycle," he says.

Indeed, the very elevation of yields suggests that the market is in uncharted territory. For the first time in 30 years, property yields are converging with long dated gilt yields, according to the Investment Property Databank.

This is a throwback to the years before inflation became a threat to investors. In those days, gilts traded at lower yields than property, because they carried less risk.

Once inflation became a way of life, property became a better bet than gilts because it held out the prospect of real rental growth.

Now, as in the pre-inflation era, property yields are converging with those of gilts. This suggests that the prospects of rental growth for property are barely enough to compensate for the risks, management effort and maintenance costs of holding property.

In part, it reflects waning support from property's traditional supporters, the UK institutions. Property, which used to be discussed in the same breath as equities and gilts, became less important during the 1980s. Disillusioned with the relatively poor performance of property, fund managers shifted money into the new option, international equities.

The crash of the last two years has further undermined property's traditional virtues, stability and counter-cyclical performance. The difference between the property crash and the equity crash of 1987 was its extended nature rather than its severity. And far from being counter-cyclical, the peak of the property market in August 1988 coincided with the high point of the economic boom.

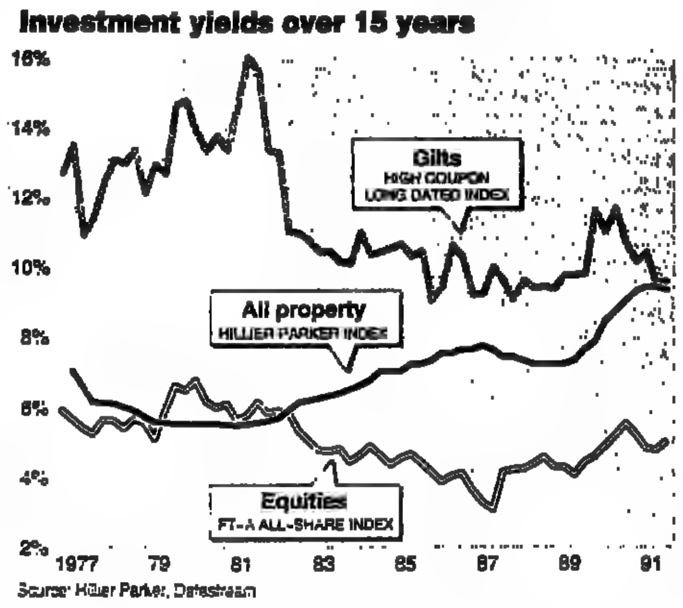
But the main reason for high yields is visible to anybody who looks out of a window, especially in London. The surge in construction in the late 1980s, combined with the recession, has left thousands of "To Let" boards outside shops and offices. In the City of London, one of the worst affected markets, nearly one in five offices is empty.

This surplus space is giving new power to tenants, after decades in which landlords have dictated terms. The 25-year lease, with upward-only increases in rents every five years, is seen as restrictive by many large tenants, who would favour an opportunity to break a lease at 10 or 15 years. "The only real way to set a rent is when both parties can walk away from each other," says Mr Mike Ruddell, who is head of property at Boots the Chemist.

It may be that this shift in the balance between tenant and landlord lasts only as long as the surplus space remains on the market. If, however, shorter leases are here to stay, it will change the nature of property investment. Instead of tucking away a property like a bond, investors will need to woo tenants and manage their property more actively to maintain its value.

Skilled landlords may be able to preserve their rental income, but the reduced security of the investment will force an increase in yields. In a recent survey by Chesterton, the chartered surveyors, Japanese investors believed that yields should increase by at least 1.5 per cent to compensate for the reduction in a lease from 25 years to 10 years.

Investment yields over 15 years



Source: Hillier Parker, Datastream

Another source of pressure on values is the imbalance between buyers and sellers. An enormous amount of property needs to find a buyer over the next few years, if the £40bn of loans outstanding to the UK property sector is any guide.

At present, it is not clear where the demand will come from. Many potential buyers, such as property companies and Japanese investors have retreated, although their place has been partly filled by new buyers, particularly from continental Europe. Furthermore, the UK institutions, led by the Scottish funds, are gradually going back into the market, particularly for retail and industrial developments.

But it is hard to see the institutions rescuing the over-borrowed property industry as they did in the last serious property crash.

"In similar circumstances in 1974, pension funds and insurance companies stepped in to fill the gap. Twenty years later institutional demand for property assets is no longer so fresh and the size of the problem is a far greater challenge," according to Debenham Tewson, chartered surveyors.

The twin depressants of poor investment demand and poor occupier demand will probably continue to dog the market next year. One forecast by brokers BZW (who are among the most bearish analysts) suggests that capital values will fall by another 6 per cent in 1992.

The pessimists believe that a slight hardening of yields will fail to compensate for a fall in average rents. Economic recovery will not necessarily feed swiftly into enhanced demand: after the last recession it took at least four years for a recovery in rents.

So it is premature to call the turn for the property market as a whole. But this does not mean that individual property buyers are wrong. Both the difficulty of acquiring good property in a rising market and the different prospects of various parts of the market make it worth sorting the wheat from the chaff.

There is a world of difference between a high yielding building let on an inexpensive rent on a long lease to a financially strong tenant, and an old fashioned, poorly located building with a financially-stretched tenant.

The best properties, with good, secure income, are in high demand. For example, industrial property, which commands a high yield, actually rose in value in 1991. The snag is that this rise in value only applies to a small proportion of the property market: perhaps as little as 15 per cent of the typical portfolio, estimates BZW.

That excludes a lot of buildings: old buildings which do not meet the needs of modern businesses; or new buildings in obscure places which may never find a tenant. Even if the eye of the property hurricane has passed, dark clouds still hang over much of the market.

Zale may look for Chapter 11 protection

By Nikki Tait in New York

ZALE CORPORATION, the largest retail jeweller in the US, said yesterday that it was studying a bankruptcy petition filed on Wednesday night by bondholders, but believed that an out-of-court reorganisation was in everyone's best interests.

The heavily-indebted company, based in Dallas although owned jointly by Peoples Jewellers in Toronto and Zurich-based Swarovski International Holding, has already defaulted on a $52m interest payment on its junk bonds.

The subsequent 30-day "grace period", in which payment could still be made, was due to expire yesterday.

On Wednesday night, some of the ailing company's bondholders pre-empted the final default, by filing an involuntary bankruptcy petition with the Texas courts.

The action, which was led by Barre & Company, the Dallas-based investment firm, forces Zale either to contest the bankruptcy petition in the courts, or to accede to the bondholders' demand and seek protection under Chapter 11 of the US bankruptcy code.

Yesterday, Zale said it was still studying the situation, although it described the petition as "unfortunate".

It claimed, however, that a co-operative agreement between the various interest groups was "in the best interests of all parties", and that an out-of-court restructuring would be the speediest and most efficient solution.

The company, which technically has several weeks in which to respond to the bankruptcy filing, added that no date for a court hearing had yet been set.

Earlier this week, Zale offered outlines of a reorganisation scheme, when it announced plans to close 400 of its 2,000 stores, together with a "downsizing and cost reduction" plan at its corporate headquarters. It also announced that it was halting all debt payments.

Part of the problem at Zale, which has been suffering heavy losses recently, derives from hefty debts taken on when the company was acquired by Peoples Jewellers and Swarovski in 1986.

Further debt was then issued, with the help of Drexel Burnham Lambert, when Zale bought out the rival Gordon jewellery retail chain, in the late-1980s.

Peoples and Swarovski – a vehicle for the wealthy Austrian Swarovski family – injected $100m into Zale in 1990, but the retailer's losses have continued to mount.

UK retail group sells last business in US for £22m

By John Thornhill in London

SEARS, the UK retailing group, yesterday announced the disposal of its last remaining interest in the US and reported a "very good start" to its sales season in the UK.

The company has sold Miss Erika, its US women's fashion wholesaling business, at book value for £22m ($41m) in cash. Miss Erika has been bought by a group of investors including members of the management team.

The company, which sells to more than 3,000 retailers in the US, made operating profits of about £5.9m in 1990-91 although it has encountered worse trading conditions in the current year in the face of the severe US retail recession.

Sears has been steadily pursuing a policy of disposing of peripheral assets to concentrate on its core European retailing interests.

Mr Geoffrey Maitland Smith, chairman, said: "We have been planning to sell Miss Erika for the past 18 months. The business depends on only three people and there was a lot of capital tied up in it. We wanted to put the money into areas where we could sleep at night."

Sears is not planning any further disposals apart from the Galliford housebuilding business.

Commenting on current trade, Mr Maitland Smith said the first three days of the New Year sales had been better than expected. But he warned: "I think when you get a strong start it peters out very quickly. People may have worked out what they wanted to buy beforehand and have gone out and done it."

He said women's fashion and men's suits had been selling well, although areas such as furniture had remained depressed. "As for Scotland it's as if there is no recession," he added.

He said Sears' sales in the run-up to Christmas had been running about 2 per cent to 3 per cent higher and that the company had achieved better margins than a year ago. "Christmas was very late to come and was not bad but we are comparing it with a miserable time last year," he said.

Mail order sales had been particularly good in London, he said, perhaps reflecting fear of incendiary devices in high street stores.

However, he foresaw no quick upturn in consumer confidence in 1992.

Two Shandwick advisers resign

By Robert Peston in London

SHANDWICK, one of the world's biggest public relations firms, has been hit by the unexpected resignation of two leading UK investment banks as its advisers.

Morgan Grenfell resigned as Shandwick's merchant bank and Warburg Securities quit as its stockbroker just as the City of London was setting off for its Christmas holidays.

"Morgan and Warburg felt they had not been kept properly informed about Shandwick's worsening financial performance", said a financier with a close knowledge of the deteriorating relationship between the firms.

"We think we kept people properly informed", commented Mr Peter Gummer, Shandwick's founder, who has been giving public relations advice to Mr John Major, the British prime minister.

Three weeks ago, Shandwick's market value more than halved during a single day when it announced that it expected to make a £1m loss for the 15-month period to October 31.

However, only six months ago Shandwick was much more optimistic when it announced interim profits had risen 12 per cent to £8.12m ($15.2m).

Shandwick's share price has plummeted from 145p in late November to 43p last night, wiping more than £80m off its market capitalisation.

The financier added that the relationship between Shandwick and the firms had been difficult for some time. "There was a history to their decision to quit", he said.

A year ago, Mr Gummer faced intense criticism from shareholders over his proposal to sell 2m of his own Shandwick shares to a scheme for rewarding his employees – or Esop – at 90p a share. Shareholders felt the Esop should have offered to buy shares from all of them, not just from Mr Gummer.

In the event, Mr Gummer sold 1.25m shares to the Esop at the lower price of 51p a share.

Mr Gummer, who is the brother of Mr John Gummer, the Conservative cabinet minister, said he had already found a replacement for Morgan in the form of Lazard Brothers and expected to appoint a new stockbroker "within a matter of days".

He blamed a worldwide recession for the deterioration in the firm's financial performance.

UK COMPANY NEWS

US drug approval for SmithKline Beecham

SMITHKLINE BEECHAM, the drug company, has secured its first US drug approval since it was formed in 1989 by the merger of SmithKline Beckman of the US and Beecham of the UK.

The US Food and Drug Administration approved Relifen, the company's arthritis drug, giving SmithKline access to the US non-steroidal anti-inflammatory drug (NSAID) market worth about \$1.7bn (£930m) a year.

This class of drugs is used to treat severe arthritis, especially rheumatoid arthritis and osteo-arthritis. Current market leaders are made by Ciba-Geigy of Switzerland and Syntex of the US.

Approval for Relifen was expected following the recommendation of the advisory committee to the FDA in early December. The speed of approval surprised even SmithKline. "We didn't expect it for another few weeks."

There will be a formal US launch before the end of January when the US price, which will partly determine the profitability of the drug, will be revealed. In the UK a year's supply costs £102.

Mr Jonathan de Pass, an analyst at BZW, estimated that US sales of Relifen in the first year would be at least \$200m.

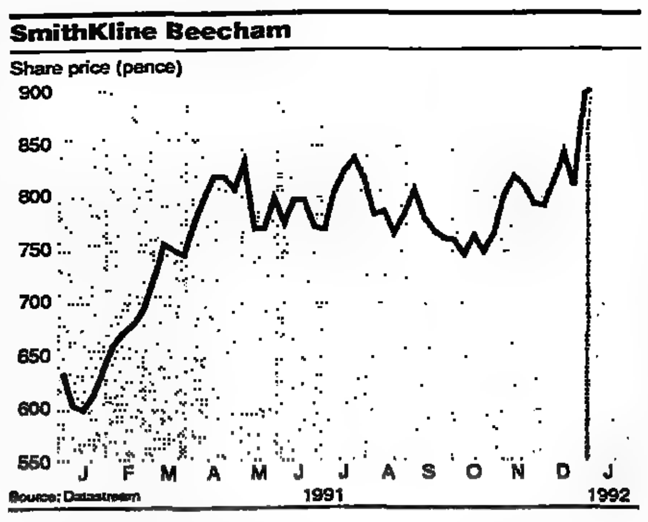
SmithKline shares leapt 6 per cent before profit taking and concerns over a US medical report that some ulcer drugs should not be taken with alcohol left the price only slightly higher on the day.

SmithKline makes Tagamet, the world's second best-selling ulcer drug. Shares in Glaxo, which makes Zantac, the best seller, dropped 15p to 838p.

● Wellcome's Aids treatment Retrovir, or AZT, received its second boost in a week yesterday from Aids researchers. They have found evidence that when Retrovir is used in combination with ddC, made by Roche, the Swiss drug company, there was an increase in the level of white blood cells which are crucial in fighting the Aids virus.

Wellcome shares climbed 24p to 1125p.

The news comes after research findings that suggested that a mixture of Retrovir and Zovirax, Wellcome's other big selling drug, did well against Aids.



Test-tube research that breeds blockbuster success

Daniel Green on speculation and sensitivity surrounding drug companies share prices

YESTERDAY'S gyrations in the share prices of SmithKline Beecham, Glaxo and Wellcome reflect the drug companies' sensitivity to both the US regulators and the news flowing from research laboratories.

Many years of testing pass between the discovery of a chemical and its approval by health authorities. During this time, rumours of technical breakthroughs, trial results and regulatory decisions make the sector a speculators' paradise.

Although the industry is fragmented – even the biggest player, Merck of the US, has a market share of less than 5 per cent – the secret of success does not lie in world domination.

Over the past decade, some of the most spectacular performers have conquered niches. Glaxo and Wellcome became winners by creating one, or perhaps two, blockbuster drugs, products which usually combine a large potential market with a technical breakthrough.

"We define a blockbuster drug as one with sales of at least \$500m a year," says Mr Jonathan de Pass of BZW. "In 1990 there were 24, in such areas as ulcers, asthma, herpes and cholesterol control."

Blockbuster drugs dominate the huge US market. If US doctors do not prescribe the most effective drug available, even if it is only a little better than its rivals, they face the possibility of legal action from patients who do not return to complete health.

Glaxo, the UK's biggest drug company, is the classic example. Its fortunes have been built on the Zantac ulcer treatment. Zantac and its nearest rival Tagamet, made by SmithKline Beecham, work in similar ways. "The difference between them is small, but enough to incline many doctors to pick Zantac," says Mr de Pass.

Wellcome's Zovirax is a more extreme example. It is so much better than its rivals that it has more than 80 per cent of the herpes virus treatment market, according to Wellcome.

Glaxo raked in £1.6bn from Zantac sales in the last financial year – almost half its total sales. Zovirax sales climbed 26 per cent to £471m.

But companies which depend on single blockbuster drugs are more vulnerable than their diversified rivals to new competitors. Any blockbuster can be toppled by a newcomer. This happened with Tagamet, knocked off its best-selling perch by Zantac.

And now Zantac is threatened. "Glaxo shares have been occasionally unsettled in recent months by Losec, a new ulcer drug from Swedish company Astra," says Mr Robin Gilbert of James Capel.

A drug can be forced off the market quickly by health regulators. The US Food and Drug Administration banned two Fisons drugs a year ago after what it saw as shortcomings on the manufacturing side. Their absence from the market has cost Fisons £85m.

For many companies, such uncertainty would be unsettling. The prospect of rapid changes in fortune might be expected to deter investors from the shares. Yet the p/e ratio of the health and household sector is more than 24, compared with a market average of about 14.

Wellcome was the best performing Footsie stock during 1991, the shares rising 151 per cent. Glaxo was the top Footsie stock over the last two years, the shares more than doubling in value.

One reason for such investor demand is that drug sales hold up during recessions.

"This security is combined with the potential for high growth and high profit margins, which is particularly appreciated at a time of disruption elsewhere," says Mr Gilbert. Even the decline of an obsolescent drug can be slowed with heavy marketing, price cuts and the launch of non-prescription versions.

The future performance of a drug company can be gauged by an examination of the drugs under test. Analysts and investors keep a close eye on a drug from its invention in a test-tube, through several stages of trials with animals and then humans, to approval by the FDA and other national health authorities, such as the Committee on the Safety of Medicines in the UK. A drug's potential hangs in the balance for many years.

The behaviour of drug company's shares seems likely, if anything, to become more excitable over the medium term.

Governments are keen to cut the cost of healthcare and want to reduce drug prices. Proposed European Community price rules should do that.

They leave relatively free, however, the pricing of new treatments. This will put an even higher value on the peerless blockbuster.

It should ensure many more years of scanning the research journals for anyone with more than a passing interest in the pharmaceutical industry.

Ferranti offshoot files for Chapter 11

By Michiyo Nakamoto

FERRANTI Healthcare Systems Corporation, a US subsidiary of the UK electronics group, has filed for protection under Chapter 11 of the US bankruptcy code.

The step was taken by the Maryland-based company, which is involved in management services for hospitals, to allow it to carry on trading while dealing with certain problem contracts, Ferranti said.

Healthcare Systems Corporation was formed when Ferranti acquired the healthcare systems division of Pentamation, a US systems company, for \$16m (£8.7m) early in 1988.

In the last financial year, it incurred an operating loss of £3.9m on turnover of £5.4m, consuming about £2.5m cash over the period. Before its acquisition, the Pentamation division posted turnover of \$18m.

The problems centre on one unprofitable contract in the US. Although the healthcare business in the US, which provides computer data centres and individual systems to hospitals and surgeries, has suffered during the recession, Ferranti said it did not intend pulling out of the market.

"When you are in the state that Ferranti is, in funding to the tune of £2.5m to support a company that is making a loss of £3.9m, you have to take remedial action," the group said.

The parent company has been through a rocky period following the revelation two years ago of a £215m fraud in International Signal and Control Group, its US defence subsidiary, during which it has had to reduce substantial bank borrowings. In the six months to September 30 it incurred losses of £28.8m while assets fell from £190m to £98.8m.

Kwik-Fit fitter as it shrugs off report on poor service

By John Griffiths

KWIK-FIT Holdings, the Edinburgh-based tyre and exhaust systems replacement group, yesterday shrugged off sharp criticism from a Consumer's Association report on "fast fit" servicing centres.

The share price fell 7p at the start of trading yesterday as reports of the criticism circulated. By the close, however, the price was unchanged at 182p.

Motor industry analysts, some of whom were critical of the manner in which the Association's research was conducted, also suggested the report was unlikely to cause lasting damage. Kwik-Fit - slogan "you can't get better than a Kwik-Fit fitter" - was lambasted in Which? the Association's magazine. It said that more than a quarter of 43 Kwik-Fit branches surveyed had recommended unnecessary work on a car taken in to have its "basically sound" exhaust inspected.

One other "fast-fit" group, the north-west of England-based Smileys, was rated "poor" in the survey. Among eight others surveyed, Michelin-owned ATS was rated "good" while Continental-owned National and Goodyear-owned Tyreservices were rated "average".

Market sentiment about the group's present financial prospects, was that increased vehicle tyre sales arising from new minimum tread depth standards (introduced on January 1) would more than compensate for any adverse effects of the Consumers' Association report, which focused mainly on exhaust system replacement.

Mr Tony Lancelott, Phillips and Drew motor industry analyst, said that "One should be cautious about drawing too many conclusions about the likely impact of the report".

Kwik-Fit profits increased 67 per cent to £16.8m in the first half of 1991. Mr Tom Farmer, chairman, has said that "we had a good six months last year and there is no reason to believe that we will not have a good six months this year." Debt fell from £20m at the year-end to £15m.

CapCo's Nottingham shopping centre deal

CAPITAL & Counties yesterday said it had exchanged its 48.5 per cent stake in Victoria Centre, Nottingham, for £34.7m cash and a 20 per cent stake in a new partnership formed to own the freehold of the centre, writes Richard Gourlay.

The new partnership includes the ICI Pension Fund, the previous joint owners of the centre, and institutional investors. It was brought together by Dusco UK, a vehicle of Mr Dick Dusseldorp, founder of Lend Lease Corp, the Australian property company.

Capital & Counties will remain the manager of the Victoria Centre which it developed in 1972.

The cash injection will further reduce the group's debt which fell to about £400m last August following a £102m rights issue.

Capital & Counties is 82 per cent owned by the South African-controlled TransAtlantic Holdings.

Telfos disposes of three offshoots

Telfos Holdings has taken its policy of concentrating on railway engineering activities a stage further by disposing of three subsidiaries involved in the manufacture of non-ferrous wire, metal spraying equipment and related services.

The three offshoots – Charles Clifford, Metallisation and Metallisation Service – have been sold to an unnamed buyer for £2.1m cash. Telfos will use the proceeds to provide additional working capital.

Over the 15 month period to March 31 1991, the three companies made pre-tax profits of £1.1m.

Telfos yesterday said it would not be paying a half-year dividend to preference share holders. Jenbacher, an Austrian engineer, made a £51m bid last November.

MCC report

A report in yesterday's FT said that Mr Peter Laister, chairman of Maxwell Communication Corporation, had criticised a Price Waterhouse report to MCC and its bankers as "a shoddy piece of work".

Mr Laister has confirmed that his criticism was not about the PW report but about the use made of the data when presented in court by counsel for PW.

Caird raises £6.2m from dry waste sale

CAIRD Group, the waste management company, has sold, for a total of £6.17m, a large part of its dry waste division to Cleanaway, the UK operation of Brambles Industries, the Sydney-based transport and freight group.

Mr John Ashton, Caird chairman, said that the disposal was the latest step in the company's strategy to concentrate on its core landfill and hazardous waste treatment businesses.

This strategy was initiated in the face of the £78m hostile, but eventually lapsed, bid in September 1990 from Severn Trent, the privatised water company.

The disposed businesses consist of the English dry waste collection activities but exclude the operation at Barrow, which is to be sold separately.

In the 11 months to November 30, the businesses that Cleanaway is buying made operating profits of £475,000 on revenues of £7.18m. The consideration consists of a £5.42m cash payment and a further estimated £745,000 after Caird has collected debts and paid off outstanding amounts.

Cowan EGM rejects five motions

At a lively EGM yesterday, shareholders in Cowan de Groot, the toys and industrial hardware group, voted against five special resolutions brought by a shareholder which were described as "inappropriate" by Cowan's directors, writes Michiyo Nakamoto.

The only resolution adopted was the change of the group's name to Glenchewton.

The resolutions were proposed by Marlowe Holdings, which has a 15 per cent stake, and were directed at restricting Cowan's connections with Wilton Group, which has just under 70 per cent of the shares.

One of the resolutions called for an amendment to the company's articles that would enable Marlowe to enjoy permanent representation on the board as long as it holds one share in the group.

Something profitable to sing about for burly chassis maker

James Abbott on Trinity Holdings' ascendance

BUSINESS LIFE is looking rosy for Mr Geoff Hollyhead, chairman and chief executive of Trinity Holdings, which manufactures fire engines, buses and other commercial vehicles.

On December 20 the Ministry of Defence confirmed a £5m order for 147 chassis for troop buses, won against fierce competition from international manufacturers such as Volvo.

For Trinity, the deal capped a good year, the third since Mr Hollyhead and his fellow managers bought the company for £26m, with the support of a syndicate of eight banks led by Bankers Trust Citicorp. The managers own 51 per cent of the equity, the banks the rest.

Trinity was formerly the engineering division of Hestair, which sold it to concentrate on its employment bureaux. However, that business turned sour and Hestair was bought by BET, the business services conglomerate.

In contrast, Trinity has gone from strength to strength. Turnover is up from £55m in the last year under Hestair to £90m in 1991. Pre-tax profits have risen from £3.2m to £5.5m.

Trinity has been toasting the new year with its fattest-ever order book: it has taken £45m-worth of orders in the last four months.

This growth has been achieved in the face of markets which are either stagnant or declining. Trinity's products are hardly the stuff of quick-buck salesmanship; behind the growth lies a knack for accurate assessment of the needs of its target markets.

Typical of these products is the Dart midibus, produced under the Dennis marque. Developed in the last months of Hestair ownership by the team that was to buy Trinity, the Dart fulfilled a need in the competitive UK bus market.

Bus operators had set up new routes in the mid-1980s which penetrated housing estates and ran at increased frequencies. Many of these routes were worked by minibuses made from van chassis with bus coachwork. In many cases these vehicles were not up to the rigours of bus operation – on some routes in London, brakes had to be replaced after just three days.

"The smallest feasible, big bus is what people wanted," says Mr Steve Brown, engineering director. This thinking resulted in the Dart: a short wheelbase chassis that is highly manoeuvrable, but built to the same exacting standards as a traditional bus.

The Dart has proved extremely successful: more than 400 have been sold to London alone.

The Dart has helped Dennis become one of the top sellers of bus chassis in the UK, and the company has recently begun marketing in the Benelux countries.

While Dennis has long sold buses to Hong Kong and other east Asian markets, this is the first foray into the fiercely competitive European bus market.

The same prescription of carefully tailoring to the market's needs has been applied to fire engines and dustcarts. Larger rivals adapt truck chassis for these purposes, which leads to second-best solutions.

By contrast, Trinity purpose builds for these specialist markets. For instance the Rapier, Dennis' new fire engine, has a wheelbase designed to accommodate the water tanks and give an appropriate centre of gravity. "It handles like a Ferrari," boasts Mr Hollyhead.

These products are also being pushed into Europe. Sales there of 120 dustcarts over the past few years have kept output up in the face of a 40 per cent drop in domestic demand following the contracting-out of local government services.

While strict attention to market needs has been winning orders in the UK and abroad, careful housekeeping at home has led to improved results on the bottom line.

Better inventory control, for instance, has cut stocks from £14m to £9m, while debt and credit control has also been improved. "It's marvellous how one's mind is focused when it's your own money," says Mr Hollyhead.

In a deftly timed asset disposal in summer 1989, Trinity sold its Duple coach name, along with jigs and drawings, to Plaxton for £4m. "Another three months and we'd have had to shut it anyway," says Mr Hollyhead.

While Plaxton has hit financial trouble, Trinity has been able to redevelop the Duple site at Blackpool; altogether, getting rid of Duple will have raised about £11m.

Much of this has been spent on a new £10m bus chassis and fire engine factory at Guildford, Surrey.

With a continuing strong flow of orders backing his optimism, Mr Hollyhead expects Trinity to be in a position to repay by the end of 1993 all its borrowings, which currently stand at £8m.

Geoff Hollyhead: a focused mind when it's your money

Northern Foods' buy goes ahead

Northern Foods' planned acquisition of parts of Grand Metropolitan's Express Dairy business is going ahead following the decision of the Office of Fair Trading not to refer the deal.

The decision has resulted in a new timetable for the associated 1-for-4 rights issue. The closing date for acceptances is January 27 against the original date of December 28.

Northern is paying £326m for the Express Dairy liquid milk business and Eden Vale, which produces chilled dairy products including Thayers ice cream and Coldstream, a distribution operation.

The rights issue is priced at 415p per share. Northern's share closed 1p higher yesterday at 574p. On the day the proposed deal was announced in November the shares rose 29p to 526p.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Lufthansa warns of need to cut costs rapidly

By Andrew Fisher in Frankfurt

MR JUERGEN WEBER, the chief executive of Lufthansa, warned employees yesterday that the German airline would have to bring its costs down rapidly to avoid "bitter consequences" from the competition. "Lufthansa operates too expensively, expenditure is above income," he said.

He added that the airline also had some catching up to do in the area of service. "Our customer service systems are by no means 'state of the art'."

The airline has already said that it would make an operating loss in 1991 as a result of poor business in the first quarter when the industry was hit by the Gulf war. Subsequent profits were not enough to offset the loss in the first three months, so that the nine months result showed a pre-tax loss of DM159m ($99m).

Lufthansa will offset last year's loss through aircraft sales and transfers from reserves. Mr Weber said it was small comfort that 1991 was a bad year for all airlines and that Lufthansa had done better than most of its European competition. "Our reserves are not meant to be used as a comfortable cushion; they will be quickly used up," he said.

The airline, which is 52 per cent state-owned, has been bringing in new productivity measures such as improved communications and data processing systems. It is also streamlining its management structure. Among steps taken to upgrade services was the introduction of an automatic ticketing system at Frankfurt last year.

Iberian banks join forces to launch venture in France

By Patrick Blum in Lisbon

BANCO Comercial Portugues (BCP), Portugal's fastest growing private bank, and Banco Popular Espanol of Spain have joined forces to launch a new bank in France to be named Banco Popular Comercial (BPC).

In a separate move, BCP also plans to launch this year a new housing finance bank in Portugal in association with Cariplo, Italy's state-owned savings bank and its largest financial institution.

Both moves are designed to deepen the Portuguese bank's internationalisation ahead of January 1993 when the European Community's financial markets will be fully open, said Mr Jorge Jardim Goncalves, BCP president. BCP already has reciprocal crossholdings of 1.5 per cent with Banco Popular and Cariplo.

The two new banks will both be owned equally by BCP and each of its foreign partners, although in the case of the bank in France, one of the two partners' shareholding will be a fraction of a per cent higher to conform with French banking requirements for a majority shareholder. BPC's initial capital will be FFr400m ($77m), and it will be presided over in turn by the two shareholding institutions.

The bank will function through Banco Popular's 18 branches in France. It will aim to attract French private and corporate customers interested in the Iberian market, and to provide financial services for Portuguese and Spanish companies active in France.

The new housing finance bank will be owned equally by BCP and Cariplo which recently formed a joint real estate leasing company.

In the past two years, BCP has pursued a policy of establishing links with foreign banks as a way to gradually strengthen its international presence and activities. "I don't believe a Portuguese bank can succeed on its own abroad. Portugal has neither the tradition nor the financial power to do this," Mr Goncalves said.

Foreigners may buy up to SKr30bn of stock

By Robert Taylor in Stockholm

BETWEEN SKr20bn ($3.6bn) and SKr30bn net of Swedish corporate stock is likely to be bought by foreign investors in 1992, according to estimates by the country's shareholders' association.

This is the expected result of a change in Swedish law which came into force this week, enabling foreigners to buy without prior government permission an unlimited number of Swedish shares.

Under legislation enacted in 1916 foreigners were not allowed to acquire voting shares or equity in Swedish companies without permission from the public authorities every time the purchase exceeded 10, 20, 40 or 50 per cent of the company's shares.

The reform promises to increase foreign interest in Swedish shares. This will be helped by the sell-off of Swedish state-owned companies due to start this year.

The reform, however, does not mean the end of the country's two tier system of free and restricted A and B shares. These enable Swedish shareholders – such as the powerful Wallenberg dynasty – to maintain control of companies by owning a substantial slice of the voting shares but only a small portion of the total equity. Any change must await agreement on European Community company law.

Accor lifts stake in Wagons-Lits

ACCOR, the French hotels group, has increased its stake in Wagons-Lits, the Belgian travel concern, to 69 per cent, AP-DJ reports from Brussels. In November, Accor claimed to have 52.9 per cent control, following its public share offering.

According to Générale de Banque of Belgium, which managed the bid together with French group Caisse des Dépôts et Consignations, which owns 27.9 per cent of Wagons-Lits, Accor controls 97.4 per cent of the shares.

MGM-Pathe tussle dents Parretti's pride

Nikki Tait reports on how the end of the year turned sour for the Italian financier

To say that 1991 ended badly for Mr Giancarlo Parretti would be an understatement.

With the panettone still fresh on the cake-stand, the 50-year-old Italian financier was arrested in Italy on December 27, supposedly on charges of tax evasion. Instead of boarding a flight to Tunisia, Mr Parretti was taken into police custody at Rome's Ciampino airport and subsequently transported to Sicily for questioning.

That was only the beginning. Less than a week later, on December 30, a US judge awarded continuing control of MGM-Pathe Communications, the Hollywood film company which Mr Parretti acquired in 1990, to his bankers, Crédit Lyonnais Bank Nederland (CLBN).

This ruling, which was backed up by 89 pages of damning commentary, represented the culmination of a complex legal battle between the Italian businessman and the French-owned bank over control of the studio. In the way of US court actions, hearings had begun as long ago as August.

Not surprisingly, the Crédit Lyonnais camp has been cock-a-hoop. "We intend to see that the lion roars again," was the formal comment from Mr Alan Ladd, the MGM chairman installed at the behest of CLBN last year, although the studio made a $159.9m net loss in the first half of 1991 and there has been talk of negative cash flow of about $200m for 1991 overall.

More unexpected, perhaps, was the response from Mr Parretti's public relations people. As 1991 died, out came a release describing the ruling as "unfortunate", and the court action as "lamentable". More pertinently, it suggested that a "lender liability suit", counter-filed against CLBN in the Los Angeles courts, would still be pursued.

In truth, however, the December 30 ruling by Mr William Allen, the Court Chancellor, has shed little glory on anyone. At the heart of the Delaware legal battle has been

Giancarlo Parretti: to pursue lender liability suit

a "corporate governance" agreement which CLBN obliged Mr Parretti to accept last spring, after the heavily-leveraged acquisition of MGM turned into a financial disaster. The bankers hoped that the agreement would effectively insulate the company from Mr Parretti's interference.

That proved over-optimistic. In the court action, CLBN – together with its various management appointees, including Mr Ladd – claimed that Mr Parretti's behaviour and repeated violations of the agreement entitled it to change directors and wrest control. Mr Parretti, by contrast, argued that the bank manipulated him and MGM into a precarious situation, with the very intention of seizing the reins.

Not only did Chancellor Allen side with CLBN, but he did so in unequivocal terms, repeatedly dismissing Mr Parretti's testimony as untrue. "I have been forced to conclude," he declared at the beginning of his judgment, "that defendants' principal witness, Giancarlo Parretti, did not give truthful testimony when he testified under oath in this court." Justifications for this assertion are numerous.

Indeed, the Chancellor even goes on to quote – and give credence – to a conversation between Mr Parretti and Mr Charles Meeker, a Los Angeles lawyer brought in by CLBN as president of MGM. Mr Parretti, Mr Meeker claimed, threatened him along the lines of "You have to understand. I am crazy . . . I want you to understand, Meeker, that I am crazy . . . I want you to understand that I am really dangerous. I am very dangerous."

That said, Chancellor Allen also makes clear how speedily doomed the MGM acquisition was – with a cash crisis descending "almost immediately" – and how wantonly exposed CLBN became. He is not required to explore why a subsidiary of a leading bank arrived at this position without ensuring sufficient controls, but the question hangs in the air throughout his ruling.

Finally, the Delaware judgment cuts through some of the claims and counter-claims over where financing for the MGM deal was eventually secured. If nothing else, this was the height of financial ingenuity. Chancellor Allen's description of the funding as "Byzantine" barely does it credit.

Long gilts make up ground as sterling bounces back

By Richard Waters and Tracy Corrigan in London and Nikki Tait in New York

LONGER-dated UK government securities surged ahead by nearly 1¼ percentage points in highly volatile trading yesterday as sterling bounced back from its recent lows.

Having missed out on the recent rally in other European bond markets, gilts made up much of their lost ground. The

INTERNATIONAL & GOVT. BONDS

benchmark 2003/07, which finished before the new year at 113$\frac{11}{32}$, moved to 114$\frac{13}{32}$. Traders attributed much of the turnround to a determined performance by Mr John Major, the prime minister, in a radio interview. This eased concerns about a possible interest rate rise, helping sterling climb back comfortably above 2.85 against the D-Mark.

The surge caught many traders with short positions, and the rush to reverse them accounted for much of the volatility, observers said.

In a relatively busy day for the futures market, with nearly 32,000 long gilts contracts traded on Liffe, the March futures contract climbed from 95.20 to 97.00, before easing to 96.27 in reaction to US weakness.

■ GERMAN government bonds firmed slightly despite the announcement of the first full issue of the German unity fund since last September. The wider spread between German interest rates and those of the US and Japan helped fuel retail interest, and accounted for the strength of the market.

Bids for the latest unity fund bonds, which are offered at 100.40 with a coupon of 8 per cent to yield 7.94 per cent, are due today. Traders expected strong demand, although some said the take-up was likely to be closer to DM8bn than the DM10bn some had expected.

While bunds rose in the cash market, the futures market fell on some profit taking.

■ DESPITE some mixed economic statistics, bond prices in New York were generally lower yesterday morning. The US labour department reported that initial claims for state unemployment insurance fell 29,000 to 438,000 in the week ended December 21 – in sharp contrast to economists' predictions of a 5,000-claim rise.

Within half-an-hour, however, this news was counteracted by publication of the National Association of Purchasing Management's index for December. This showed a marked slump, to 46.5 per cent, the first time it has fallen below 50 per cent – which indicates a decline in manufacturing – since May.

The net result was to leave longer-dated issues down by almost a full point at midday, although below their lows for the morning. The benchmark long bond showed a loss of ¾ at 106$\frac{5}{32}$, yielding 7.463 per cent.

■ THE Ecu bond market made an encouraging start to the year, registering the first new issue of 1992, an Ecu200m Eurobond offering for Canada's Export Development Corporation. The two-year deal carries a coupon of 9 per cent, and is designed to appeal to retail investors, who like short-dated paper, particularly when there is an inverted yield curve. In addition, some central banks and money market funds were said to be buyers of the triple-A rated paper.

More short-dated Ecu deals could follow if arbitrage opportunities persist. The EDC deal was swapped into floating-rate dollars. The deal was held in syndicate overnight.

Demand in the Ecu sector is concentrated at the short end of the market, where rates are relatively high, and at the very long end.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	116.4940	-0.042	9.39	9.51	9.81
BELGIUM		9.000	08/01	101.0000	+0.400	8.83	9.03	9.16
CANADA *		8.500	04/02	103.1000	+0.700	8.05	8.31	8.80
DENMARK		9.000	11/00	101.6250	-	8.89	8.82	9.06
FRANCE	BTAN	8.500	11/96	99.0477	+0.113	8.89	9.23	9.21
	OAT	9.500	01/01	105.7300	+0.260	8.58	8.73	8.92
GERMANY		8.25	09/01	101.3400	-0.180	8.04	8.13	8.30
ITALY		12.000	08/01	97.2500	-	12.50	12.62	12.68
JAPAN	No 119	4.800	06/99	95.7388	+0.154	5.61	5.91	6.10
	No 129	6.400	03/00	106.0232	+0.268	5.34	5.55	5.79
NETHERLANDS		8.500	03/01	99.5700	+0.170	8.56	8.65	8.82
SPAIN		11.800	07/96	100.4000	+0.100	11.72	11.90	11.93
UK GILTS		10.000	11/96	100-12	+12/32	9.90	9.96	9.95
		10.000	02/01	102-12	+32/32	9.60	9.75	9.80
		9.000	10/08	97-01	+40/32	9.36	9.49	9.64
US TREASURY *		7.500	11/01	105-08	-20/32	6.77	6.86	7.32
		8.000	11/21	106-09	-29/32	7.47	7.53	7.92

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Wesfarmers in hostile bid for Bunnings

By Kevin Brown in Sydney

WESFARMERS, the Western Australian farming and commodities group, yesterday announced a A$163m (US$124m) hostile bid for Bunnings, a timber, hardware and metal products company in which it has a 19.9 per cent stake.

The offer follows indications that BTR of the UK is seeking to dispose of a 24.6 per cent stake in Bunnings acquired as part of its recent £1.5bn takeover of Hawker Siddeley, the UK engineering group.

Mr Dolph Zink, Bunnings' chairman, said the offer price valued the company at only 10 times forecast profits in the current year.

The success of the offer is likely to be decided by the attitude of three shareholder groups – BTR, the Bunning family and other directors, who hold 24 per cent, and the AMP Society, with 10 per cent.

Strong results in US securities

By Martin Dickson in New York

THE US securities industry's strong financial performance in 1991 has been underlined by figures showing that New York Stock Exchange member firms reported an after-tax profit of $824m in the third quarter of the year, compared with a loss of $124m a year before.

The third quarter performance took place against a background of keen investor involvement in securities trading as US interest rates continued to fall.

In the third quarter of 1990, the market was plagued by uncertainty surrounding the Gulf crisis.

The figures cover NYSE member firms that do business with the public, rather than specialist market makers. The underlying 1991 quarterly performance was even better than the figures suggest because they include a one-time $200m pre-tax provision by Salomon Brothers for potential liability from its Treasury auction rigging scandal.

The 322 firms covered by the figures saw revenues rise to $15.25bn, up 16.5 per cent, from the $13.01bn in the third quarter of 1990. Second quarter 1991 revenues totalled $14.85bn and after tax profits were $559m.

Profits in the third quarter represented an 8.9 per cent annual return on member firms' average net worth of $37.95bn during the period.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:40 pm on January 2

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ALBERTA PROVINCE 9 3/8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA 8 1/2 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BANK OF TOKYO 8 3/8 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COPENHAGEN TEL 8 5/8 96 LFr	600	[illegible]		[illegible]	9.16
WORLD BANK 8 1/4 LFr	1000	[illegible]		[illegible]	9.22
ABN AMRO HOLDING 9 1/4 01 Fl	750	[illegible]	[illegible]	[illegible]	8.79
UNILEVER 9 00 Fl	500	103	[illegible]	[illegible]	8.48
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available - previous day's price. † Only one market maker supplied a price

[illegible] © The Financial Times Ltd., 1992. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by International Securities Market Association.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	low	Yield Int.	Red.
"Shorts" (Lives up to Five Years)							
12¼pc 1992	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.33	–
10pc 1992	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.48
2pc IL 1992	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.97	8.56
8pc 1992	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.45
10¼pc Cv 1992	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.51	10.47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.: [illegible]

Index-Linked

	Notes	Price £	+ or -	1991/92 high	low	Yield (1)	(2)
Treas. 2pc '94	(102.9)	[illegible]	—	[illegible]	[illegible]	[illegible]	4.07
2pc '96	(67.9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.17
2½pc '01	(78.3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.41
2½pc '03	(78.8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.42
2pc '06	(69.5)	[illegible]	[illegible]	[illegible]	115	[illegible]	4.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST: [illegible]

Continued on Page 16

[illegible] (table of pool prices for electricity)

COMMODITIES AND AGRICULTURE

Soviet imports 'key to commodity prospects'

By David Blackwell

IMPORTS BY the former Soviet Union in the coming year will be the key factor in soft commodity prices, according to the Economist Intelligence Unit.

Some commodities are likely to benefit from the Soviet collapse, including wheat, maize, barley and oilseed meals. Others, such as sugar, will suffer from depressed demand.

The EIU points out that in 1989-90 Soviet imports accounted for 25 per cent of world trade in maize and barley, 20 per cent of the sugar trade, 16 per cent of wheat trade and 15 per cent of soyabean meal trade. "Its ability to feed itself to a greater or lesser degree is a matter of concern to exporters of those commodities, and to importers competing for the same supplies."

The latest figure for the 1991 Soviet grain harvest – 156.3m tonnes – is also the most alarming, sharply down on earlier estimates of between 180m and 190m tonnes. However, that figure could be unduly pessimistic as the Soviet authorities have a vested interest in painting the picture as black as possible in order to strengthen their case for requesting food aid.

In any case predictions of famine have been exaggerated, the EIU believes. The 1990 Soviet harvest was good, and it is likely that a fair amount of Soviet grains, still on the farms, will find its way into use. In addition the realistic pricing of bread has reduced consumption, principally because there is less waste now the cost is not derisory.

The EIU estimates that the most the Soviet Union will be physically able to import in 1991-92 will be about 40m tonnes, 2m tonnes more than the 1989-90 figure. "That amount would keep the international trade nicely topped up without blowing prices through the roof."

The Soviet Union needs imports not to avoid famine, but to avoid paying decent prices for home produced goods, the EIU suggests. "The fact that state grain procurement late in October was only a quarter of the projected harvest and only half what was needed to feed the population through the winter months is an indication that Soviet farmers are in revolt, and are holding back supplies until farmgate food prices are raised substantially in real terms."

The EIU believes that farmers' dissatisfaction contributed to the poor 1991 harvest, and points out that the authorities do not have long to motivate them for the 1992 harvest. However, in the long run the Soviet Union will again be an agricultural exporter.

Soviet sugar imports are not expected to exceed 4m tonnes in 1992, compared with 4.6m tonnes in 1991. The EIU cites the shortage of hard currency, the transition to a market economy and the prospects of a better domestic crop.

Of subsidiary importance is the Soviets' ability to afford luxuries such as cocoa and coffee. However, from the coffee and cocoa producers' viewpoint, the Soviet Union and Eastern Europe are among the best potential markets.

Consumption rates for coffee in the Soviet Union are low, averaging only 0.24 kg a head in 1988, compared with saturation rates of more than 10 kg a head in some European countries, the EIU points out.

Soviet cocoa grindings are estimated to have fallen to a 20-year low of 75,000 tonnes in 1990-91. International Cocoa Organisation figures show Soviet consumption at 0.71 kg a head, compared with Switzerland's 4.62 kg.

However, in both commodities the EIU predicts that the shortage of hard currency will prevent any big improvement in Soviet consumption figures for at least another year.

World Commodity Outlook 1992 – Food, Feedstuffs & Beverages. EIU, 40 Duke Street, London W1A 1DW. Price, incl postage: £145 in Europe, Middle East and Africa; US$275 in the Americas and Asian/Pacific region.

Uncertainties cloud US farming outlook

Election year politics could again ease growers' sufferings, writes Nancy Dunne

AMERICAN FARMERS are facing a new year as shrouded in uncertainty as any in recent times. The collapse of the Soviet Union puts into jeopardy one of their most lucrative markets; trade war with China is looming; and the condition of the world economy is precarious.

Negotiators in the Uruguay Round of the General Agreement on Tariffs and Trade are still deadlocked on farm trade reform. Even the course of the El Nino weather phenomenon is confounding experts, who worry that it could trigger droughts in some areas at a time when US grain stocks are uncomfortably low.

At the annual outlook conference of the US Department of Agriculture Department last month, Mr James Donald, head of the USDA's World Agriculture Outlook Board, put an optimistic face on 1992 for American farmers. Global crop production would fall but animal output would grow, creating many more hungry mouths to feed, he said.

Higher grain prices and an increased volume of wheat, soyabean and horticultural product exports would boost the value of farm exports to $39bn, up 4 per cent from 1991, Mr Donald forecast. World commodity demand would increase because of real economic growth of about 2.5 per cent, population growth of 1.7 per cent and a 2 per cent rise in meat output. Meanwhile a "modest increase" could be expected in input prices. However, the overall result would be cash returns only "close" to 1991 levels.

Mr Robert McElroy, a USDA agricultural economist, predicted a rise in US wheat prices next year. But he told the conference a threatened drop in other grain prices could lead to an overall drop in incomes. That would be a further blow to a sector where bankruptcies are continuing at a brisk pace, although not at the rate of the early 1980s.

Glyn Genin

Maize is the biggest contributor to US farm incomes but Soviet sales are in doubt

Mr Mitchell Morehart, another USDA agricultural economist, acknowledged that the rapid changes in the world had made it "pretty difficult" to forecast net farm income. The drop in US interest rates would benefit some farmers and a possible fall in fuel prices would also help.

Maize is the largest single component of US farmer price receipts and the republics of the former Soviet Union are still the major wild card in the pack. The future of this trade rests on the willingness of the West to provide financial assistance.

If the West withheld credits then the impact could be "tremendous," said Mr Alan Terhaar, executive director of the US Feed Grains Council.

"The cumulative effect of lack of trade credits that would cause the Soviets to fall from the projected level to, for example, 5m tonnes of imports would by the end of 1995-96, could cause a build-up of 60m tonnes of US feed grains stocks. Wheat stocks would face a similar build-up."

If President Bush took the lead on increasing export guarantees to the former Soviet republics then the subsequent rise in maize prices could actually turn falling farm incomes around.

With all the uncertainties, Mr Terhaar expected a "disappointing" outcome for 1991-92 trade. Although exports to Mexico had been rising, they were slightly behind expectations of 7.5m tonnes per year by 1995. Furthermore, he was keeping a close watch on proposed changes to Mexico's "*ejido*" (communal farm) – land tenure system.

"Even two years ago it would have been inconceivable that Mexico would ever change its *ejido* system, which dates back to that country's revolution," Mr Terhaar said. The system had been "considered an insurmountable impediment" to higher Mexican production, but a proposal to introduce privatisation into the system could have "far reaching consequences for the make-up of crop and livestock production".

Mr Terhaar was hopeful about increased exports to Egypt, since US debt forgiveness and an emerging private sector had strengthened the market. Eastern Europe offered some possibility of new markets in the short term but it *could not afford to buy much.*

Australia, South Africa and Thailand appeared to be moving away from feed grains exports, but the Asian market posed another concern for the US. Japan's tariff quota on imports of maize for industrial processing and layers of regulations and secondary tariffs on feed grain might indicate "we have simply reached a plateau in Japanese imports. . . or we are entering a period of significant decline".

In Korea the US was facing China as a major competitor while China was maintaining *firm control on import volume* into the south, where economic growth rates in excess of 20 per cent were causing an explosion in demand.

Mr Terhaar was "bullish" that China would succumb to economic and political pressures to open its market to *feed grain imports. Currently it* was importing 800,000 tonnes of barley for malt production, and demand was growing by more than 100,000 tonnes a year.

The likeliest bet is that election year politics will prevail and US farmers will not be allowed to suffer unduly in 1992. If history repeats itself – and why not? – then the Republican administration and Democratic congress will join forces to ensure that the Midwest and the Sunbelt states, major electoral battlegrounds, will get sticking plasters for their pain.

Already there have been calls in Congress for export subsidy re-armament. President Bush, facing a tough re-election fight and lagging in the polls, is unlikely to refuse this favoured constituency unless Gatt brings discipline into the trade.

Another lean year predicted for base metals producers

By Kenneth Gooding, Mining Correspondent

BASE METALS producers are in for another lean year and aggregate real prices will in 1992 be no more than 5 per cent above 1986 levels, suggests the Metals & Minerals *Research Services* consultancy group in its latest quarterly forecast report.

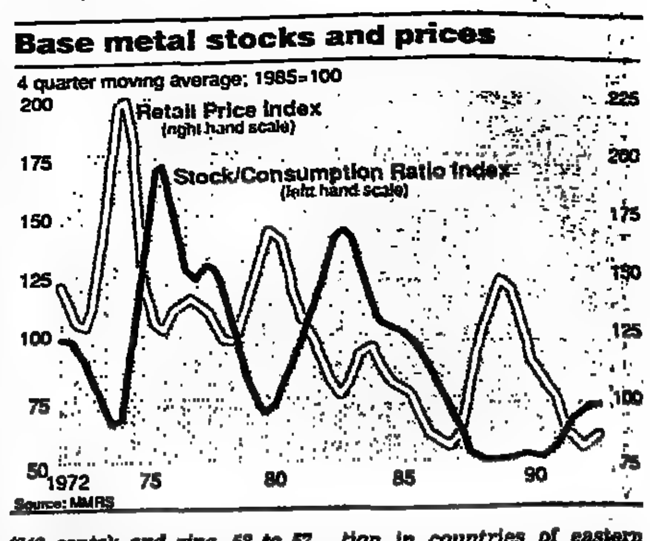
MMRS expects a "slow and tentative" recovery in economic growth this year so the rise in base metal consumption will be hesitant until the second half, it says. "We doubt if the aggregate increase will exceed 2 per cent over the year as a whole."

Therefore the onus will be on metals producers to rein back output in order to prevent stock/consumption ratios rising considerably further. In 1991 there were voluntary cuts in production in all the main traded metals except copper, MMRS points out. "In the coming months cuts will not only have to be maintained but also have to be added to. Even then we do not expect a build-up in stocks to be entirely prevented."

While there might well be a substantial recovery in metals prices, this "merely reflects present distress." Year-on-year price increases in 1992 will be "very modest indeed."

However, only copper is forecast by MMRS to fall further in price this year. Average London Metal Exchange cash prices are forecast to be in the following ranges in 1992: aluminium, 60 cents to 70 cents a lb (60 cents in 1991); copper, 95 to 100 cents a lb (106 cents); lead, 25 to 29 cents (25 cents); nickel, 360 to 380 cents a lb (369 cents); tin, 265 to 276 cents a lb (249 cents); and zinc, 53 to 57 cents a lb (50-51 cents).

Base metal stocks and prices



Source: MMRS

MMRS says forecasting is particularly difficult at present because of the surge in metal sales from the former eastern bloc countries. This has had a big impact on prices because so much of the material ended up being *highly visible in London* Metal Exchange warehouses.

"Unfortunately, there is no guarantee that these flows will quickly abate. While the accelerating political break-up of the former Soviet Union makes any forecasting well nigh impossible, most of the same factors which led to the massive exports of the past two years, namely domestic demand collapsing faster than production and the desperate need for foreign exchange, will remain in place," says MMRS.

"Neither is metal consumption in countries of eastern Europe likely to pick up in the short term. East-west trade flows will therefore almost certainly remain a bearish influence in 1992."

MMRS suggests all three precious metals are set to claw back some of their recent price falls in 1992. But in the absence of the external ingredients for a bull market, investor interest will be slow to be rekindled. Price gains are likely to be modest. It forecasts gold will average between $350 and $400 a troy ounce in 1992 ($360 and $365 in 1991); platinum will average $370 to $410 a troy ounce ($370-$380); and silver will average $$4.25-$4.75 a troy ounce ($4.03-4.07).

Metals Analysis and Outlook, £400 for four quarterly issues from MMRS, 2 Henry Street, Bath, Avon BA1 1JT, England.

Argentine crops washed out

By John Barham in Buenos Aires

A 24 hour-long torrential downpour over the New Year holiday has wreaked havoc in Argentina's agricultural heartland. Mr Marcelo Regúnaga, the agriculture secretary, said yesterday that 300,000 hectares (740,000 acres) of farmland in the provinces of Buenos Aires, Cordoba and Santa Fe were affected by the rainfall and estimated damage at about US$250m.

The rain has affected winter crops in the Pampas, principally wheat and barley, which are due to be harvested now. The New Year downpour compounded damage caused by heavy rainfall during December. If Mr Regúnaga's estimates are borne out, wheat would be the most affected crop. Analysts value this year's crop at $800m to $900m.

Unusually, independent observers say the government is over-reacting: usually, government officials accuse farmers of exaggerating their problems. Yesterday, analysts warned that it was still too early to estimate the impact of the rainfall and emphasised that the weather over the coming days would be crucial to evaluating the situation.

Mr Osvaldo Sarachu, an agricultural economist, commented: "If we have a day of strong sunshine followed by two or three days of dry weather, wheat could easily recover and barley would hardly be affected. It would be risky to hazard a figure on the damage at the moment."

However, officials estimate damage of $100m in Buenos Aires province from storms earlier in the month.

The bad weather caps a year in which Argentina's farmers struggled with rising production costs and falling prices as the government implemented a radical anti-inflation and economic liberalisation programme. However, government officials insist that prices are improving and that production costs will stabilise in 1992.

Rubber buffer stock manager may buy today

MR ALDO Hofmeister, the International Natural Rubber Organisation's buffer stock manager, said yesterday he might resume support buying today and stressed that he had funds to continue his buying programme, reports Reuter from Kuala Lumpur.

"Conceivably, I may step in tomorrow," he said. "We can enter the market but we are not going to use the [financial] resources in one day."

Inro's five-day price average has fallen below the group's "must-buy" level, at which the manager must buy stockpile rubber, but traders said there was no intervention yesterday.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+32,225	to 987,150
Copper	+1,925	to 327,425
Lead	−125	to 126,375
Nickel	−150	to 11,922
Zinc	−4,800	to 152,200
Tin	+15	to 13,695

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed down on the London bullion market, but off the day's low after a late rally in silver. Early selling from Frankfurt and Middle East sources pushed gold down but it met strong support at $350 a troy ounce and then clawed back losses as silver hit a three-week high. Gold lacks clear direction, but a clearer trend is likely to emerge on Monday, when many operators return from holiday. Talk that liquidated Soviet swaps formed part of the morning's sales could not be confirmed. Comex gold futures hit 3½-month lows in early trading, while silver futures rallied strongly on short covering by three big US funds. The New York rally lifted London silver, which met resistance as it approached 400 cents a troy ounce. The market was also underpinned by the firmer tone in international equity markets and by recent industrial demand. London robusta coffee prices were in retreat while New York arabicas were ahead at midday. "New York and London are going in two different directions at the moment...If New York manages to hold above 78.50 cents in March, then we could see some more speculator buying. In London, if it is fund selling, that usually comes in two or three waves, which could see the market fall further," one dealer said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.25-5.30q	+.525
Brent Blend (dated)	$18.40-8.55	+.50
Brent Blend (Feb)	$18.25-8.35	+.475
W.T.I. (1 pm est)	$19.40-9.50q	+.60

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$195-198	+2½
Gas Oil	$167-168	+5
Heavy Fuel Oil	$64-65	
Naphtha	$185-187	+2
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$352.25	-1.05
Silver (per troy oz)♣	398.5c	+8.5
Platinum (per troy oz)	$335.50	+1.30
Palladium (per troy oz)	$79.55	-0.25
Copper (US Producer)	101.80	
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.85r	+0.04
Tin (New York)	259.00c	-0.75
Zinc (US Prime Western)	62c	
Cattle (live weight)†	106.85p	-5.28*
Sheep (dead weight)†	184.77p	+8.64*
Pigs (live weight)†	84.20p	
London daily sugar (raw)	$234.0z	+0.5
London daily sugar (white)	$274.5z	+0.7
Tate and Lyle export price	£232.5	
Barley (English feed)	£125.5	
Maize (US No. 3 yellow)	£147.5	
Wheat (US Dark Northern)	£101	
Rubber (Feb)♥	47.75p	
Rubber (Mar)♥	48.25p	
Rubber (KL RSS No 1 Feb)	213m	
Coconut oil (Philippines)§	$700z	
Palm Oil (Malaysian)§	$385y	
Copra (Philippines)§	$450t	-10
Soyabeans (US)	£141	
Cotton "A" Index	60.60c	-0.55
Wooltops (64s Super)	415p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Feb t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	189.40	198.00	198.00	188.20
May	185.80	194.00	194.00	185.00
Aug	189.80	198.00	[illegible]	[illegible]
Oct	194.00	198.00	194.80	189.00
Dec	195.00		199.00	

White	Close	Previous	High/Low	
Mar	273.0	275.6	276.6	272.0
May	274.4	276.3	276.7	273.0
Aug	278.0	280.8	281.0	280.3
Oct	280.0	282.8	282.1	258.5
Dec	258.5	261.0	260.4	257.2
Mar	260.0	262.3	261.7	257.7

Turnover: Raw 231 (142) lots of 50 tonnes. White 685 (1030)
Paris- White (FFr per tonne): Mar 1465.24, May 1464.00

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Feb	18.30	17.61	18.35	17.93
Mar	18.17	17.52	18.23	17.83
Apr	18.10	17.55	18.18	17.85
May	18.08	17.30	18.08	17.79
Jun	17.77	17.30	17.81	17.75
Oct	17.79		17.79	
IPE Index	17.84	17.53		

Turnover 16181 (3603)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jan	163.50	158.00	164.00	159.75
Feb	164.50	159.50	165.00	161.50
Mar	163.75	159.50	164.25	161.00
Apr	162.75	157.75	163.25	160.50
May	162.50	157.50	163.00	160.00
Jun	164.00	161.00	164.25	162.00
Jul	166.00	163.75	166.00	164.25
Aug	165.50	168.25	168.25	165.50
Sep	170.00	168.25	170.25	168.75

Turnover 14315 (6043) lots of 100 tonnes

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	733	745	742	723
May	758	767	765	749
Jul	783	794	787	775
Sep	807	817	810	799
Dec	840	860	842	831
Mar	[illegible]	877	[illegible]	861
May	885	893	890	
Jul	902	910	[illegible]	[illegible]
Sep	916	921	915	910
Dec	940		936	

Turnover: 10071 (4262) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec.31 935.90 (958.51) 10 day average for Jan.2 974.29 (980.58)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jan	952	978	975	945
Mar	952	981	978	947
May	960	983	985	958
Jul	977	997	985	974
Sep	991		1000	992
Nov	1025		1015	

Turnover:2261 (1269) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec.31: Comp. daily 61.51 (61.57) 15 day average 62.18 (62.34)
Sterling close: January £513 , March £ 515

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	123.0	121.0		
May	120.7	140.0	120.5	118.0

Turnover 53 (19) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	122.00	122.00	

Turnover 0 (35) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jul	1324		1325
BFI	1491	1494	

Turnover 5 (1)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Jan	126.05	125.85	126.10	125.90
Mar	129.65	129.50	130.00	129.50
May	133.15	133.10	133.45	

Barley	Close	Previous	High/Low	
Jan	119.60	119.35	119.75	119.50
Mar	122.90	122.70	123.00	122.90

Turnover: Wheat 124 (276), Barley 69 (3).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jan	107.4	107.0	107.5	107.0
Feb	108.0	108.0		
Mar	108.5	109.0		
Apr	108.0	109.5		
May	110.0	110.0		

Turnover:40 (1)lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	130.94	131.17			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 21,079 lots
Cash	1119-20	1126-7	1126.5/1126.5	1126-6.5		
3 months	1142-3	1150-1	1149/1139	1148.5-9.0	1139-9.5	122,052 lots
Copper, Grade A (£ per tonne)						Total daily turnover 28,099 lots
Cash	1146.5-7.5	1168.5-9.5	1148/1146	1147-8		
3 months	1178.5-7.0	1188-9	1185/1176	1178-9	1181-2	103,144 lots
Lead (£ per tonne)						Total daily turnover 3,410 lots
Cash	289-9.25	289-91	288.25/288	288.25-8.50		
3 months	300-0.25	300-2	301/299	299-9.5	300-1	15,349 lots
Nickel ($ per tonne)						Total daily turnover 1,078 lots
Cash	7170-80	7170-80		7165-70		
3 months	7220-5	7210-20	7230/7215	7215-20	7230-5	19,383 lots
Tin ($ per tonne)						Total daily turnover 651 lots
Cash	5595-605	5550-60		5590-5		
3 months	5645-50	5600-10	5645/5625	5625-30	5620-5	4,885 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,299 lots
Cash	1170-2	1168-70	1178/1178	1178-9		
3 months	1122-3	1114-5	1129/1116	1122-3	1121-2	39,902 lots

LME Closing £/$ rate:
SPOT: 1.8675 3 months: 1.8429 6 months: 1.8132 9 months: 1.7885

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)
(*Correction:Gold AM Sterling fix for 31/12/91 should be 188.581)

Gold (fine oz)	$ price	£ equivalent
Close	352.00-352.50	
Opening	353.30-353.70	
Morning fix	351.20	188.68*
Afternoon fix	350.90	188.840
Day's high	353.80-354.10	
Day's low	349.90-350.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.61	6 months	3.44
2 months	3.54	12 months	3.33
3 months	3.50		

Silver fix	p/fine oz	US cts equiv
Spot	205.90	386.75
3 months	211.35	390.60
6 months	216.85	394.40
12 months	227.85	402.30

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	351.00-352.00	186.50-187.00
Maple leaf	362.50-363.00	193.00-193.50
New Sovereign	86.00-87.00	45.75-46.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1050	93	121	5	12
1150	27	56	38	44
1250	4	20	114	106

Copper (Grade A)	Calls		Puts	
2050	124	135	7	24
2150	53	73	35	60
2250	15	34	96	118

Coffee	Mar	Mar
500	29	13
550	8	43
600	2	87

Cocoa	Mar	May	Mar	May
750	160	47	42	38
775	144	37	51	53
800	129	28	61	68

Brent Crude	Feb	Mar	Feb	Mar
1850		30		
1900	12	35	92	
1950	2		132	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	352.1	354.1	0	0
Feb	353.2	355.2	353.4	350.8
Mar	354.2	356.3	0	0
Apr	355.4	357.5	355.7	353.0
Jun	357.5	359.6	357.8	355.1
Aug	[illegible]	361.8	359.8	[illegible]
Oct	361.5	363.8	0	0
Dec	363.7	366.0	363.8	362.0
Feb	[illegible]	[illegible]	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	337.6	336.7	336.5	335.5
Apr	338.6	339.2	339.8	336.5
Jul	339.9	340.8	341.0	339.0
Oct	344.8	345.4	345.5	345.5
Jan	345.6	348.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	394.7	388.3	396.0	385.5
Feb	396.1	389.9	0	0
Mar	397.5	391.2	[illegible]	385.5
May	400.9	394.6	403.0	389.5
Jul	404.1	397.8	406.0	394.0
Sep	407.3	401.0	0	0
Dec	412.3	406.0	414.5	402.0
Jan	414.1	407.8	0	0
Mar	417.7	411.4	414.0	414.0
May	421.5	415.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	95.10	96.70	96.40	95.10
Feb	95.55	97.25	95.50	95.50
Mar	95.70	97.55	97.40	95.65
Apr	95.85	97.45	0	0
May	96.05	97.45	97.30	96.00
Jun	96.20	97.45	0	0
Jul	96.20	97.30	97.10	97.00
Aug	96.30	97.25	0	0
Sep	96.35	97.20	97.30	96.90
Oct	96.25	97.05	97.30	97.30

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.59	9.00	9.07	8.57
May	8.53	8.84	8.86	8.52
Jul	8.49	8.75	8.78	8.48
Oct	8.56	8.82	8.67	8.56
Mar	8.50	8.67	8.65	8.48
May	8.40	8.61	8.60	8.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	19.42	19.12	19.52	19.10
Mar	19.44	19.12	19.62	19.12
Apr	19.40	19.19	19.55	19.16
Jun	19.48	19.26	19.52	19.25
Jul	19.48	19.33	19.53	19.33
Sep	19.48	19.43	19.53	19.48
Oct	19.52	19.47	19.57	19.48
Nov	19.55	19.52	19.60	19.55

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	5160	5110	5180	5050
Mar	5250	5208	5290	5150
Apr	5300	5200	5305	5180
May	5230	5072	5230	5110
Jun	5180	5032	5185	5180
Aug	5200	5102	5200	5180
Sep	5360	5227	5360	5360

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1253	1245	1254	1227
May	1301	1266	1293	1268
Jul	1325	1327	1334	1305
Sep	1348	1350	1358	1338
Dec	1385	1387	1394	1378
Mar	1413	1418	1420	1415
May	1435	1437	0	0
Jul	1460	1462	0	0
Sep	1482	1484	1490	1490
Dec	1555	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	79.00	77.70	79.50	76.80
May	81.70	80.45	82.20	79.50
Jul	84.40	82.70	84.70	82.10
Sep	86.50	85.35	86.50	86.15
Dec	90.25	90.75	0	0
Mar	93.25	92.25	93.25	93.25
May	95.40	94.25	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.58	59.17	59.84	59.02
May	61.06	60.70	61.25	60.55
Jul	62.30	61.85	62.50	61.85
Oct	63.95	63.55	64.00	63.35
Dec	64.18	63.75	64.25	63.56
Mar	65.55	65.00	64.85	64.85
May	65.90	65.25	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	155.80	155.15	160.00	155.80
Mar	156.80	155.50	159.00	155.75
May	157.40	156.15	159.25	156.50
Jul	157.40	157.00	159.00	157.50
Sep	156.80	156.45	157.50	156.80
Nov	147.65	148.25	149.90	149.60
Jan	144.95	144.75	145.00	144.90
Mar	144.95	144.75	145.00	145.00
May	144.95	144.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan.2	Dec.31	mnth ago	yr ago
1591.3	1594.1	1626.1	1697.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec.31	Dec.30	mnth ago	yr ago
Spot	128.79	128.87	115.89	123.70
Futures	120.14	119.76	122.45	128.81

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	549/4	554/6	558/0	549/0
Mar	550/2	557/0	558/0	550/0
May	556/2	563/2	564/2	556/0
Jul	564/6	572/6	572/6	564/0
Aug	568/4	576/0	576/0	568/4
Sep	571/0	580/0	578/4	571/0
Nov	574/4	582/4	583/0	574/0
Jan	584/0	593/0	586/4	584/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	18.40	18.50	18.58	18.37
Mar	18.65	18.78	18.88	18.65
May	18.97	19.09	19.18	18.96
Jul	19.27	19.42	19.44	19.26
Aug	19.43	19.60	19.60	19.42
Sep	19.57	19.72	19.75	19.57
Oct	19.65	19.77	19.80	19.65
Dec	19.98	20.10	20.10	19.95
Jan	19.95	20.05	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	172.1	174.7	174.3	172.0
Mar	170.5	172.6	172.8	170.3
May	170.6	172.2	172.5	170.3
Jul	171.5	173.0	173.7	171.1
Aug	172.5	174.0	174.5	172.5
Sep	173.0	176.0	175.2	173.0
Oct	166.2	168.4	168.5	166.2
Dec	167.7	190.0	169.5	167.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	250/4	251/4	252/0	250/2
May	256/6	257/4	258/0	256/0
Jul	261/2	262/0	263/2	261/0
Sep	259/2	260/0	261/6	259/0
Dec	257/6	257/2	259/2	256/0
Mar	264/0	264/0	265/4	263/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	400/6	404/6	409/2	399/4
May	378/0	381/0	386/2	377/4
Jul	340/4	342/6	349/0	340/0
Sep	342/0	347/0	352/0	343/0
Dec	352/4	362/6	358/4	362/0
Mar	357/2	359/6	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	72.55	72.40	72.85	72.35
Apr	73.27	73.02	73.47	72.95
Jun	68.65	68.55	68.90	68.45
Aug	66.67	66.87	66.85	66.65
Oct	67.15	67.20	67.30	66.85
Dec	68.20	68.22	68.25	67.90

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	38.97	39.30	39.40	38.85
Apr	37.35	37.45	37.67	37.25
Jun	42.57	42.57	42.82	42.48
Jul	43.15	43.32	43.45	43.05
Aug	41.95	42.30	42.40	41.90
Oct	39.50	39.65	39.90	39.25
Dec	42.37	42.65	42.80	42.20
Feb	43.60	43.60	43.60	43.75

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.12	38.22	38.35	38.05
Mar	38.35	38.60	38.70	38.32
May	37.45	37.47	37.80	37.30
Jul	36.77	37.00	37.10	36.70
Aug	[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Sharp reversal of early share gains

By Terry Byland, UK Stock Market Editor

A HIGHLY volatile session opened the new year in the UK stock market, with active trading in stock index futures failing towards the close to sustain the underlying blue chip shares. In early trading the market raced through the FT-SE 2,500 mark to touch 2,530.8, an area last seen in mid-November. But London fell into negative territory when Wall Street opened smartly lower and the final reading showed the Footsie 0.3 off on the day at 2,492.8.

Traders expressed disappointment at the evident unwillingness of the institutions to support share prices at the higher levels reached over the thinly traded Christmas period – especially in view of sterling's firmer performance yesterday. The Christmas advance had been in part spurred by demand for the Footsie futures contract from two leading US securities houses, and there were signs of strain between the stock market and the derivatives sector.

The March futures contract, which took over from the December contract yesterday, remained at a strong premium to the cash index but the underlying stocks were sold towards the close of the trading session as Wall Street's Dow Average opened 18 down following the latest report from US purchasing managers.

The early spurt put a gain of 37.7 on the Footsie but the later swing in the market showed up significantly in prices of those stocks traditionally seen as solid blue chips. SmithKline Beecham, finally a mere few pence higher, had shown a near 60p gain in the middle of the day.

"This is a worrying trend," commented Mr Ian Stephenson at Salomon International. Extreme volatility in relatively light trading volume has become a factor in the London market, presenting market traders with significant problems.

Equity turnover was slow at first but speeded up later when share prices came under pressure. The final total of 457.1m shares compared with 318.1m for the half session on New Year's Eve.

Equities made little immediate response to assurances from the Governor of the Bank of England that there was no immediate need to raise interest rates, although government bond prices rose smartly. At Strauss Turnbull, Mr Ian Harnett said that economic pessimism had been overdone in the weeks leading up to Christmas and that the London market was likely to extend its rally towards Footsie 2,700 ahead of the UK general election which must be held this year. For the moment, however, equity traders are waiting for the UK fund managers to show their hands in the London stock market.

At Goldman Sachs, the US investment bank, Mr Sushil Wadhwani reiterated the view that UK equities are undervalued, suggesting that the market could rise by about 30 per cent this year if the Conservative government is re-elected. Goldman questions the wisdom of moving from UK equities into government bonds.

Kleinwort Benson, the UK merchant bank, warned that the rise in German interest rates and possible setbacks on Wall Street could mean further downside for UK equities in the near term. However, it believes that short-run problems should not distract from longer term prospects. Kleinwort predicts that, on a year's view, UK equities will offer good, real, returns – "well ahead of gilts and cash".

Account Dealing Dates		
First Dealings:		
Dec 9	Dec 30	Jan 13
Option Declarations:		
Dec 23	Jan 9	Jan 23
Last Dealings:		
Dec 27	Jan 10	Jan 24
Account Day:		
Jan 6	Jan 20	Feb 3

*New-time dealings may take place from 8.30 am two business days earlier.

Sellers strike at Ladbroke

MARKETMAKERS attributed the latest sharp fall in Ladbroke to "just another bear raid", and said a line of 1m shares was sold into the market and the broker involved could only manage to place the shares in much smaller lumps.

The leisure group, whose businesses encompass betting shops, hotels and property development, has suffered from a number of similar raids during recent months.

The shares fell to 218p before struggling off the bottom and ending a difficult session a net 14 lower at 219p. Turnover reached 3.1m, well up on usual levels of business in the stock. No clear reasons were put forward for the latest slide, but there were persistent rumours of imminent property revaluations and of a series of possible property sales.

Forte shares were also under pressure, closing 8 down at 225p, albeit on unremarkable volume of 1.6m. The stock was recently downgraded by a number of influential analysts.

Pharmaceuticals group Glaxo dropped in early trading on consideration of a US report linking its Zantac ulcer drug with higher blood-alcohol concentration in patients who drink socially. The stock picked up as investors bought on weakness but fell again on US profit-taking. The shares were also affected by an easier early showing for Wall Street and closed 15 off at 838p. The US report mentioned Zantac along with SmithKline Beecham's Tagamet.

However, SmithKline Beecham responded to a New Year's Eve announcement by the company that its anti-arthritis drug Relafen had received US approval.

The shares were also helped by some switching from the SmithKline units, which slipped 10 to 4163p. The "A" shares jumped 57p, some 6 per cent, in early trading, although they finished the session only 4p up at 900p.

Wellcome reached a new high on appreciation of a US study showing that, when Wellcome's Aids drug Retrovir is used together with an experimental drug from Roche, treatment of the disease might be improved.

The shares advanced 32 before ending a net 24 ahead at 1125p. The rise followed a jump of more than £1 earlier this week after UK tests showed Retrovir's performance was boosted when used with Wellcome's Zovirax anti-herpes drug to treat Aids patients.

Racal Electronics, which recently beat off a hotly contested bid from Williams Holdings, topped the list of active stocks for the second consecutive trading session, with turnover reaching 13m shares. The day's activity included a single trade of 3m shares transacted at 51¼p, plus a number of deals of around 1m apiece. At the close, Racal was 1¼ easier at 51p. Vodafone sped up to 385p at one point, before settling only 2 firmer at 379p.

BT "new" saw 13m shares changing hands. The nil-paid stock edged up 1¾ to 123¾p, in a demonstration of strength rarely seen since the shares were floated on December 9.

ICI was down on the day as investors took profits after recent sharp gains. The shares, which leapt by 76 points on Tuesday and outperformed a very strong stock market, were not helped by cautious comment yesterday from Sir Denys Henderson, the chairman. They retreated 22 to 1188p on a turnover of 1.1m.

Wall Street's early downturn yesterday reversed a gain in BAT Industries, which lost a net 4 at 624p. Turnover of 6m was boosted by a line of 1m shares traded at 630p.

Hanson, which closed marginally firmer at 200½p, saw a line of 8.5m American Depositary Receipts – equivalent to 42.5m shares – traded at $19.5.

British Aerospace fell 14 to 306p. Nomura Research pointed out to clients the uncertainties over the company's cash position.

Shell Transport gave the best performance of the oil leaders, closing another 5 ahead at 503p on good turnover of 4.8m, having responded to firmer crude oil prices.

BP, on the other hand, slipped back 2 to 291p on 6.2m. There were stories in the market that BP had increased its liquefied petroleum gas (LPG) prices by around 3 per cent and that Calor Group, a big supplier of bottled gas, may not be able to pass on such a rise, thereby squeezing its profit margins. Calor declined 4 to 206p on the rumours.

Lasmo staged a spirited recovery, moving up 5 to 228p on heavy turnover of 3m shares. Dealers noted a number of new year tips for the stock.

MARKET REPORTERS:
Peter John,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, See below.

FT-A All-Share Index

1,300 / 1,250 / 1,200 / 1,150 / 1,100

Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover

800 / 600 / 400 / 200 / 0
Oct 1991 J'92
Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (88). BRITISH FUNDS (1) Treasury 2pc I-L 1992, AMERICANS (3) Abbott Labs., Dun & Bradstreet, BANKS (1) Deutsche Bank, BREWERS & DISTILLERS (3) Grand Met., Greenall 8.55pc Pf., Matthew Clark, BUSINESS SERVICES (2) Rentokil, Serco, CHEMICALS (3) Allied Colloids, Courtaulds, [illegible] Rank, ELECTRONICS (2) ACT, Huntyco, FOOD MANUFACTURING (3) Northern Foods, Unilever, FOOD RETAILING (1) Iceland Frozen, HEALTH & HOUSEHOLD (4) Amersham Intl., Smith & Nephew, [illegible] Beecham A, Do. Equity Units, Tebbs, Wellcome, HOTELS & LEISURE (1) Euro Disney, INVESTMENT TRUSTS (7) [illegible] Zero Dv. Pf., Murray Split Cap. Zero Dv. Pf., River Plate Zero Dv. Pf., Scot. Nat. Zero Dv. Pf., [illegible] Pf., Scottish Value, [illegible], MEDIA (4) Daily Mail A, Reed Intl., Reuters, Sweet & Vine, MISCELLANEOUS (2) CRT, Serco, OTHER FINANCIAL (1) Ivory & Sime, PACKAGING, PAPER & PRINTING (2) Boxmore Intl., De La Rue, PROPERTY (3) Burford, Lathwest 11¼pc Mtg. Deb. 2012, London & Edinburgh 6⅞pc Pf., STORES (1) Body Shop, TEXTILES (2) British Mohair, Compart, TRANSPORT (3) BAA, Brit. Airways, Do. 9¾pc Cv.
NEW LOWS (21). ELECTRICALS (1) Clarke (T), ENGINEERING GENERAL (1) Jones & Shipman, FOOD MANUFACTURING (1) Matthews (B), HEALTH & HOUSEHOLD (3) J S Pathology, Kynoch (G & G), INVESTMENT TRUSTS (3) Contra-Cyclical Capital, Gartmore Scotland Cap., M & G 2nd Dual Inc., MEDIA (1) Black (A & C), MISCELLANEOUS (1) Tamaris 6½pc Pf., OIL & GAS (2) Ex. Co of Louisiana Warrants, Fact Petrm., OTHER FINANCIAL (1) Cons Atlas, PROPERTY (4) BHH, Hammerson A, Marchwiel, Oakley Ests., [illegible] (4) Burfors, Clarif Rse, Cons. Murchison, Hartebeest.

FINANCIAL TIMES STOCK INDICES

	Jan 2	Dec 31	Dec 30	Dec 27	Dec 24	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.00	86.28	86.28	86.56	86.48	82.81	87.94 (16/9/91)	82.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.15	96.81	96.72	96.80	96.71	90.81	97.48 (16/12/91)	90.58 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1888.0	1891.6	1836.6	1841.6	1813.0	1648.5	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	137.9	140.1	142.6	143.6	143.9	155.5	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2492.8	2493.1	2420.0	2418.7	2384.4	2117.8	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1130.42	1129.61†	1107.49	1103.91	1089.17†	-	1198.60 (3/6/91)	938.62 (16/1/91)	1198.60 (3/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.85	4.84	5.00	5.00	5.08	5.81				
●Earning Yld %(full)	7.28	7.28	7.51	7.51	7.63	12.11				
●P/E Ratio(Net)(☆)	17.27	17.25	16.71	16.72	16.45	9.96				
SEAQ Bargns 4.45pm	31,179	16,673	22,819	9,435	11,101	30,790				
Equity Turnover(£m)†	-	677.35	527.54	294.71	507.60	840.27				
Equity Bargains†	-	14,954	22,132	9,028	11,822	32,609				
Shares Traded (ml)†	-	297.6	255.2	179.9	377.6	317.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basic 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.29. † Partial.

Ordinary Share Index, Hourly changes — Day's High 1918.9 — Day's Low 1882.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1882.9	1895.4	1910.3	1908.6	1910.5	1911.0	1907.0	1895.3	1884.5

FT-SE 100, Hourly changes — Day's High 2530.8 — Day's Low 2482.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2483.1	2498.0	2520.1	2522.7	2521.8	2522.9	2518.5	2505.9	2489.7

FT-SE Eurotrack 200, Hourly changes — Day's High 1137.41 — Day's Low 1129.57

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1137.41	1136.09	1136.63	1136.29	1136.00	1134.29	1131.93

GILT EDGED ACTIVITY

Indices*	Dec 31	Dec 30
Gilt Edged Bargains	28.9	43.2
5—Day average	34.5	43.4

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	[illegible]	375	-10
ASDA Group	[illegible]	33	-1½
Abbey National	[illegible]	237	+2
Albert Fisher	[illegible]	72	
Allied-Lyons	[illegible]	[illegible]	-1
Amstrad	[illegible]	[illegible]	+½
Anglian Water	349	329	-1
Argos	[illegible]	271	[illegible]
Argyll Group	[illegible]	282	+3
Arjo Wiggins	420	244	+1
Courtaulds	1,400	535	
Dalgety	311	353	+2
De La Rue	[illegible]	480	+5
Lucas	2,800	112	-3
MEPC	[illegible]	366	-2
Shell Transport	4,800	503	+5
Slough Ests	644	226	-1
Smith (W.H.) A	590	454	+4
Smith & Nephew	2,100	139½	
South Wales Elect.	[illegible]	313	-1
British Steel	5,200	69½	
British Telecom	5,000	339	+½
ICI	1,100	1188	-22
Inchcape	[illegible]	382	+4
Ladbroke	3,100	219	-13
Land Securities	1,000	447	-1
Lloyds Bank	1,700	394	+2
LASMO	3,000	228	+5
Lonrho	1,100	189	+4
Rolls Royce	2,400	127	+½
Redland	[illegible]	1115	+6
Royal Insurance	[illegible]	251	+11
Sainsbury	2,800	373	-4
Sears	2,100	9?	-2½
Sedgwick	2,200	209	-2
Severn Trent Water	574	310	-1
Utd. Newspapers	310	327	+4
Vodafone	3,200	379	+2
Wellcome	1,800	1125	+24
Willis Corroon	844	235	-10
Calor Group	27	206	-4
Cadbury Schweppes	788	[illegible]	-3
Carlton Comms.	1,100	495	+17
Costa Vyella	1,300	172	+4
Comm. Union	317	489	+6

Based on the trading volumes for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

HEAVY two-way business in the FT-SE futures contract provided the feature of the derivatives markets yesterday. The March contract on the Footsie, which has now taken over from December as the active contract, extended the strong premium achieved on New Year's Eve as two US houses struggled to unwind substantial positions taken aboard over the Christmas period.

March traded throughout at a substantial premium, which stood at around 65 points at the close, against a 29-point fair value premium, the estimated level which allows for dividend flows and financing costs. However, the follow-through in the underlying stocks was disappointing and traders said the stocks were being sold in late trading.

Traded options were also busy, with the Footsie option taking up much of the attention. Of the day's total of 26,261 traded contracts, against 32,087 on Tuesday, 12,252 were FT-SE contracts. Individual share contracts were more active than last week as traders positioned themselves for the new year recommendations. Asda headed the list with 2,062 contracts, with its nearest rival, Hanson, recording 1,595 contracts, and British Airways (1,382) and BTR (1,169) next.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday January 2 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Dec 31 Index No.	Mon Dec 30 Index No.	Fri Dec 27 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (178)	740.66	......	9.19	6.49	13.91	35.47	740.42	726.06	726.63	715.03
2 Building Materials (23)	881.49	+0.2	7.89	7.06	17.15	46.51	880.07	862.60	857.23	975.99
3 Contracting, Construction (29)	862.03	......	9.36	8.60	15.38	51.61	862.25	853.78	843.22	1130.98
4 Electricals (7)	2296.79	+1.3	10.80	6.53	11.64	99.46	2267.81	2291.28	2302.92	1861.83
5 Electronics (26)	1699.48	-0.6	10.85	5.06	11.67	67.27	1709.32	1688.00	1687.02	1512.38
6 Engineering-Aerospace (8)	325.47	-1.1	16.60	7.98	7.33	18.73	328.95	324.22	324.38	396.68
7 Engineering-General (43)	455.80	+0.5	10.48	5.49	11.76	18.34	453.69	448.48	449.74	364.09
8 Metals and Metal Forming (10)	307.38	+0.2	2.28	11.31	-	26.43	306.72	299.40	300.92	400.85
9 Motors (13)	289.12	-0.4	8.91	8.25	14.90	17.76	290.14	283.63	284.69	294.18
10 Other Industrial Materials (19)	1495.50	+0.2	8.00	5.47	14.86	60.10	1491.63	1446.50	1455.44	1293.21
21 CONSUMER GROUP (188)	1590.62	......	7.46	3.47	16.49	41.89	1590.88	1546.36	1537.74	1218.31
22 Brewers and Distillers (23)	1949.50	+0.6	8.66	3.64	13.95	51.88	1937.69	1887.97	1903.69	1578.67
25 Food Manufacturing (18)	1235.31	-0.2	9.00	4.10	13.67	37.76	1237.52	1212.03	1212.08	1030.91
26 Food Retailing (17)	2419.31	+0.3	9.57	3.43	13.57	65.59	2411.78	2341.06	2330.35	2259.53
27 Health and Household (24)	4411.95	-0.2	5.15	2.22	22.25	72.76	4422.80	4242.22	4147.49	2552.79
29 Hotels and Leisure (24)	1210.11	-1.3	8.59	5.60	14.42	50.86	1226.54	1210.89	1201.43	1204.21
30 Media (23)	1404.24	+0.8	6.94	3.83	18.06	48.46	1392.95	1364.36	1353.79	1219.04
31 Packaging, Paper & Printing (17)	714.55	+0.6	7.54	4.65	16.08	24.72	710.26	699.61	699.65	518.01
34 Stores (32)	968.67	-0.5	7.61	3.84	17.39	27.65	973.65	950.34	956.08	760.80
35 Textiles (10)	595.03	+1.0	7.79	5.22	16.39	22.28	588.92	578.94	577.73	407.46
40 OTHER GROUPS (115)	1193.03	......	10.19	5.59	12.37	44.86	1191.65	1166.20	1167.76	992.11
41 Business Services (16)	1385.89	+0.4	7.24	4.73	17.55	46.93	1380.72	1349.01	1349.97	998.51
42 Chemicals (21)	1406.15	-0.8	7.19	5.22	17.18	54.46	1417.81	1349.74	1347.43	1027.58
43 Conglomerates (11)	1281.70	+0.3	11.77	8.09	10.32	79.46	1277.43	1242.12	1271.14	1246.86
44 Transport (14)	2336.86	+0.7	5.49	4.84	23.98	80.08	2320.26	2283.77	2266.98	1892.54
45 Electricity (16)	1199.76	-0.7	15.12	6.20	8.61	27.53	1208.39	1195.50	1196.58	1001.17
46 Telephone Networks (4)	1399.96	+0.1	11.21	4.48	11.65	31.72	1398.14	1379.96	1383.24	1128.40
47 Water (10)	2186.49	+0.1	19.53	7.27	5.64	161.48	2183.42	2175.58	2198.79	2183.91
48 Miscellaneous (23)	1779.89	-0.1	3.62	5.51	24.49	75.10	1781.50	1737.61	1712.16	1554.12
49 INDUSTRIAL GROUP (481)	1248.59	......	8.62	4.66	14.49	41.95	1248.83	1218.31	1215.51	1025.98
51 Oil & Gas (19)	2226.66	+0.1	11.49	6.30	11.51	104.27	2224.03	2152.67	2156.40	2309.09
59 500 SHARE INDEX (500)	1334.49	......	8.95	4.85	14.08	46.98	1334.53	1300.73	1298.33	1131.29
61 FINANCIAL GROUP (87)	722.62	+0.4	-	6.44	-	34.52	719.47	702.47	708.34	700.13
62 Banks (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (655)	1188.44	+0.1	-	5.01	-	43.08	1187.70	1157.95	1157.09	1025.13

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 31	Dec 30	Dec 27	Dec 24	Dec 23	Year ago
FT-SE 100 SHARE INDEX	2492.8	-0.3	2530.8	2482.5	2493.1	2420.0	2418.7	2384.4	2345.4	2128.3

FIXED INTEREST

PRICE INDICES		Thu Jan 2	Day's change %	Tue Dec 31	Accrued interest	xd adj. 1992 to date
British Government						
1	Up to 5 years (27)	121.27	+0.20	121.01	1.81	12.43
2	5-15 years (22)	135.68	+0.41	134.48	2.50	13.36
3	Over 15 years (10)	144.58	+1.12	142.97	1.90	13.69
4	Irredeemables (6)	159.36	+1.72	156.87	1.32	14.77
5	All stocks (65)	133.42	+0.69	132.50	2.20	13.25
Index-Linked						
6	Up to 5 years (2)	166.94	+0.08	166.70	0.94	3.16
7	Over 5 years (14)	146.61	+0.36	146.08	0.76	4.64
8	All stocks (16)	148.28	+0.32	147.81	0.77	4.51
9	Debs & Loans (68)	115.16	+0.97	114.05	2.13	10.87

AVERAGE GROSS REDEMPTION YIELDS			Thu Jan 2	Tue Dec 31	Year ago (approx.)
British Government					
1	Low	5 years	8.95	9.02	10.03
2	Coupons	15 years	9.35	9.50	10.24
3	(0%-7¾%)	20 years	9.35	9.50	10.26
4	Medium	5 years	9.52	9.55	11.15
5	Coupons	15 years	9.45	9.60	10.62
6	(8%-10¾%)	20 years	9.40	9.55	10.50
7	High	5 years	10.04	10.16	11.25
8	Coupons	15 years	9.51	9.68	10.80
9	(11%-)	20 years	9.42	9.60	10.67
10	Irredeemables		9.54	9.71	10.46
Index-Linked					
11	Inflation rate 5%	Up to 5 yrs	4.14	4.15	4.19
12	Inflation rate 5%	Over 5 yrs	4.42	4.45	4.18
13	Inflation rate 10%	Up to 5 yrs	3.50	3.51	2.88
14	Inflation rate 10%	Over 5 yrs	4.24	4.27	4.00
15	Debs &	5 years	11.30	11.41	12.62
16	Loans	15 years	11.01	11.15	12.38
17		25 years	10.79	10.93	12.15

Opening index 2483.1; 9 am 2498.0; 10 am 2520.1; 11 am 2522.7; Noon 2521.8; 1 pm 2522.9; 2 pm 2518.5; 3 pm 2505.9; 3.30 pm 2511; 4 pm 2489.7. [illegible] Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of indices [illegible] from FINSTAT, Bow House, 43-47 Minories, London EC3N 1DY Tel 071-702 0991. CONSTITUENT CHANGES: See articles in Financial Times 21/12/91 and 23/12/91 page 16.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+or-
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	+1
10p	F.P.	-	10p	8p	[illegible] 10pc Net Cv Pf 1994	10p	
100	F.P.	-	107½	98½	[illegible] 10½pc [illegible] 2001	105½	
100p	F.P.	-	100p	[illegible]	[illegible] 2001	100p	
105	F.P.	-	105	98	[illegible] 9.5% Cv Un Ln Stk 1995	100	
310p	Nil	-	[illegible]	[illegible]	Inchcape [illegible]	61pm	+1
100p	F.P.	-	104p	101¼p	NatWest [illegible] Pf Series A	101¼p	+½

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	74	0	8
Other Fixed Interest	14	1	4
Commercial, Industrial	313	196	983
Financial & Property	227	79	473
Oil & Gas	22	17	52
Plantations	3	2	5
Mines	16	38	98
Others	52	35	67
Totals	721	368	1,690

TRADITIONAL OPTIONS

● First Dealings Dec. 16
● Last Dealings Jan. 3
● Last Declarations Mar. 19
● For settlement Mar 30

3-month call rate indications are shown on this page.

Calls in: ASDA, Aviva, Baldwin, LASMO, Proteus and Tarmac. Put in: Soundtracs. Put & Call: Lonrho.

LONDON TRADED OPTIONS

Option		CALLS Jan	CALLS Apr	CALLS Jul	PUTS Jan	PUTS Apr	PUTS Jul
Allied Lyons (*617)	550	67½	87½	94½	1½	6	13½
	600	22½	50½	61½	6½	15	29½

Option		CALLS Feb	CALLS May	CALLS Aug	PUTS Feb	PUTS May	PUTS Aug
BAT Inds (*624)	600	38½	47½	51½	9	18½	29
	650	9½	22	28½	29½	40½	54½

Option		CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
Lonrho (*159)	140	21	24	27½	10½	12½	14½
	160	11½	17	17½	20	23	26

[illegible] January 2 Total Contracts 26,259 Calls 14,097 Puts 12,162 FT-SE Index Calls 5,095 Puts 6,022 Euro FT-SE Calls [illegible] Puts [illegible] Eurotrack 100 Index Calls 0 Puts 0 *Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons	42	Ladbroke	19	Sears	8½	■ OILS	
Allied-Lyons	50	Comm Union	34	Legal & Gen	30	SmithK Bchm A	70	Aviva Pet	1½
Amstrad	4	Courtaulds	40	Lex Service	16	TI	41	BP	30
Astec (BSR)	5	Eurotunnel	40	Lloyds Bank	24	TSB	9	Burmah Castrol	[illegible]
BAT Inds	53	FKI	8	Lonrho	18	Tesco	15½	Conroy Pet	4
BOC	48	FNFC	5	Lucas Inds	11	Thorn EMI	59½	Gaelic Res	½
BTR	33	Forte	20	Marks Spencer	22	T & N	10½	Premier Cons	4
Barclays	24	GKN	24	Midland Bank	17	Unilever	78	Shell	41
Blue Circle	18	Gen Accident	37	NatWest Bank	21	Vickers	13½	Tuskar Res	1½
Boots	33	GEC	15	P & O Dfd	35	Wellcome	80	Ultramar	20
Bowater	54	Glaxo	64	Racal Elect	4½	■ PROPERTY		■ MINES	
Brit Aerospace	18	Grand Met	70	RHM	20	Brit Land	20½	RTZ	38
British Steel	10	GRE	11	Rank Org	47	Land Sec.	38		
Brit Telecom	25	Hanson	15	Ratners	6	MEPC	33		
Cadburys	34	ICI	88	Reed Intl	42	Mountleigh	3		

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs		38⅝xd	+⅜	38⅝	20⅞	15,576	1.5
♥Allegheny & W.		285p	—	385p	218p	121.1	7.2
Amdahl		839pxd	+20	18⅛	667p	931.8	0.7
Amer Cyanamid		34½	+1⅛	42½	25⅜	3,217	2.4
Amer Express		10¹³⁄₁₆xd	−⅛	17⅞	9⅞	5,145	5.2
Amer T & T		20⅞xd	−⅛	24½	15¼	27,268	3.6
Ameritech		33⅞	+⅛	38⅞	32½	14,851	5.8
BankAmerica		19⅞xd	−1⅛	26⅜	12⅞	4,144	3.6
Bankers NY		33⅞xd	−½	38⅞	20⅞	2,789	8.1
Bell Atlantic		25⅝xd	+⅝	30½	24¼	10,877	5.5
BellSouth		27½	+⅝	31⅛	25	13,328	5.6
♥Bethlehem Steel		7⅞xd	−⅛	11⅛	6⅞	595.9	3.0
Bowater		1165p	—	1890p	1042p	425.7	5.7
CPC		48⅛xd	+⅛	54⅞	37⅞	3,837	2.3
California Engy		825p	+80	938p	420p	152.4	—
Campbell Soup	h	22⅝xc	−⅛	28	14⅛	5,678	1.7
Chase Manhattan		9⅛	−½	12⅞	5⅞	1,249	7.5
Chrysler		6⅛xd	—	9⅞	5⅞	1,781	5.4
Citicorp		5⅛xd	−⅛	10⅞	4⅞	1,848	—
Colgate-Palm		26xd	−⅛	26⅝	21⅞	3,781	2.3
Cont'l Bank		499p	−20	929p	438p	584.3	6.8
Dana		14⅞xd	+⅞	21⅝	13⅝	606.3	6.1
Data General		879p	+67	1282p	203p	242.6	—
Dial		24⅞xd	−⅛	25⅝	12⅞	967.8	3.2
Dun & Brad.		30⅝	+1⅞	30⅝	20⅞	4,465	4.0
Eaton		34⅞	+1⅞	40	24¼	1,178	3.6
Echlin		7⅝xd	—	8½	5½	425.8	5.2
FPL		19⅝xd	—	20⅛	14⅞	3,326	6.9
Fluor		23¼xd	+⅞	30⅞	17⅞	1,882	1.0
Ford Motor		15xd	—	23⅛	13	7,161	3.7
Gen Elect		40⅞xd	−⅞	46⅞	28⅞	35,269	2.8
♥General Host		350p	—	500p	270p	—	5.6
Gillette		29⅞xd	+⅞	45⅞	20⅞	6,532	1.2
Hasbro		19½	—	20⅞	794p	1,118	0.7
Honeywell		34⅝xd	+⅞	38½	21⅞	2,414	2.7
Houston Inds		23½	+⅛	23½	17⅞	3,029	7.1
IBM		47⅛xd	−⅞	72⅞	48	27,185	5.7
Ingersoll-Rand		29⅛xd	+⅞	32½	18⅞	1,516	2.5
Lockheed		24xd	+½	25⅛	16⅞	1,519	4.7
Lowe's		1811p	+180	2168p	1245p	669.4	1.7
Man Hanover	♦	13xd	−1⅛	18⅞	9½	988.6	14.2
Merrill Lynch		31⅞xd	−⅞	32⅞	10⅞	3,227	1.8
Morgan (JP)		36½xd	−⅝	38¼	21⅞	6,893	3.0
Morris (Philip)		42⅝xd	−⅞	44¼	25⅞	38,463	2.8
NYNEX		43	+1	45⅞	39	8,721	6.0
♥Pac Agric		28½p	—	88p	15p	—	—

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING AEROSPACE

ENGINEERING GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Name	Notes	Price	+ or -	1991/92 High	1991/92 low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MISCELLANEOUS - Cont.

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- ♦ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregistered collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment. E Minimum tender price. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1990. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xp ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible] This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Dec 12	467.53	470.95	—	3.00
Gross Dec 12	174.61	176.02	—	11.08
High Yield Dec 12	273.04	275.83	—	7.98
* Restricted to monies under Court control				
Rendezvous Unit Trust Management Ltd				
Pension Mngd	51.81	52.94	+0.69	4.17
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1143.0	1236.0	—	—
Mngd Pens (Acc)	63.8	68.0	—	—
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2582.0	—	7.00
Inc Cth Prp Jul 31	£1575.0	1660.0	—	8.90
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Dec 31	£3805.2	3966.3	—	4.12
European Dec 31	£343.0	345.9	—	2.07
American Dec 31	£346.3	350.1	—	2.52
Japan Dec 31	£470.4	475.6	—	1.37
Pacific Dec 31	£128.9	132.6	—	2.09
W Midlands Sep 30	£155.50	192.50	—	2.40
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Nov 30	193.55	197.40	—	7.94
Equity Nov 30	634.90	646.60	—	4.13
* Available only to Local Authorities				
M & G Securities Ltd				
Charifund Dec 30		202.05	—	10.47
(Accum Units)		607.94	+0.3	10.47
MAACF Dec 24		40.11	+0.6	9.6
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or –	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	107.1	112.7	—	–
Pension Managed Fd	106.1	111.7	—	–
Life Deposit Fd	111.6	117.5	—	–
Pension Deposit Fd	118.8	125.0	—	–

For National Fin see Target Life

	Bid Price	Offer Price	+ or –	Yield Gross
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	165.8	174.6	-0.3	–
UK Equity	173.2	182.4	+3.9	–
Overseas Equity	131.4	138.4	+2.4	–
Fixed Interest	156.4	164.7	-6.6	–
Property	128.5	135.3	-0.4	–
Index Linked	150.4	158.4	-0.2	–
Deposit	165.9	174.7	+0.3	–
With Profits (B)	135.7	142.9	+0.2	–
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	347.9	366.3	+2.3	–
UK Equity	437.2	460.3	+5.2	–
Overseas Eq	329.4	346.8	-0.8	–
American	287.0	302.2	+0.7	–
Far East	344.1	362.3	+1.4	–
Property	194.0	204.3	–	–
Fixed Int	273.1	287.5	+0.8	–
Indexed Gilt	159.7	168.2	+0.1	–
Deposit	189.5	199.5	+0.1	–
With Profit	106.2	111.8	–	–
Pension Fund (Accum Units)				
Managed	502.8	529.3	+3.0	–
UK Equity	590.6	621.7	+6.8	–
Overseas Eq	560.5	590.1	-1.0	–
American	370.7	390.3	-0.7	–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Federated International Funds Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas, IoM 0624 661551

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

TSB Trust Funds—Contd.

JERSEY (REGULATED)(**)

Barclays Intl Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Currency Funds				
Sterling	£21.63		+0.01	9.6
US Dollar	$31.62		+0.02	3.6
Deutschemark	DM55.92		+0.03	8.2
Yen	Y4,078		+0001	5.2
Managed Multicurrency	£12.93	13.30	+0.01	–
Managed Multicurrency	$25.37	26.27	......	–
Bond Funds				
Sterling Bond	£0.409	0.425	−0.001	10.6
US Government Income	$182.27	185.91	+0.30	6.5
Asian Equity Funds				
Hong Kong	$13.592	14.307	+0.279	3.0
Indonesia	$7.740	8.147	−0.017	2.5
Korea	$9.597	10.102		
Malaysia	$9.806	10.322	−0.008	0.5
Philippines	$11.036	11.617	+0.168	2.5
Singapore	$12.169	12.810	−0.144	1.0
Thailand	$12.485	13.121	+0.064	2.5
South East Asia	$11.332	11.928		
US Dollar Liquidity	$9.991	10.071	.....	3.4

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound climbs back into favour

STERLING inched its way back into the bid books yesterday as the D-Mark came under greater pressure due to price deregulation in the Soviet Union.

Many traders who arrived early yesterday – anticipating *the much-hyped "great sterling crisis"* – were relieved to see more buyers than sellers for the UK currency. However, most of the market's big players were still on holiday and Monday is widely regarded to be the real testing day for the pound.

"People are waiting to see what will happen," said Mr Michael Feeny, a senior dealer and market analyst at Sumitomo Bank. "If the Soviet situation gets worse, then the the D-Mark will weaken, letting sterling off hook."

Sterling gained almost 2 pfennigs on the previous close in London to finish at DM2.8513.

The pressure on the D-Mark took some of the heat out of sterling's position within the ERM. The German currency ended the day at 44 per cent of its permitted divergence above the central Ecu rate, compared with 54 per cent before the New Year holiday.

However, the easing was not enough to lift sterling from the floor of the EMS grid, where it languished for the whole day.

Sterling also finished higher against the dollar, up from $1.8675 to $1.8740.

During the day the dollar came under pressure from a stronger yen and the general economic malaise in the US.

The yen moved up on expec*tations of concessions* to US President George Bush when he visits Tokyo next week. The recent cut in Japan's discount rate has only strengthened traders' opinions that Prime Minister Kiichi Miyazawa will calm Mr Bush's fears of protectionism with a promise to keep yen firm.

However, with the Japanese market closed for a day, moves were slightly exaggerated in a generally thin trade, traders said.

Statistics published in the US yesterday also continued to justify bearish sentiment on the dollar.

The purchasing managers' report, which analyses the trading expectations of US companies, showed that economic growth had been sharply lower in December than during the previous month. It dropped to 46.5 per cent, the first time it has fallen to less than 50 per cent in six months.

By the end of trading in London, however, the dollar was beginning to claw its way back. The dollar ended at Y124.55, compared with Y124.95 at the previous close, and a low during the day of Y123.75.

The US currency closed virtually unchanged against the D-Mark at DM1.5218 after a session low of DM1.5110. In New York, however, heavy D-Mark selling gave the dollar, yen and pound an exceptionally large boost. The more suspicious traders bounced rumours of intervention to ease ERM pressure, while others put the sharp move down to mere speculation.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 2	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.557	-3.05	5.83	52
Belgian Franc	42.4032	41.9417	-1.09	3.74	45
D-Mark	2.05586	2.03680	-0.93	3.57	49
Dutch Guilder	2.31643	2.29484	-0.93	3.57	38
Irish Punt	0.767417	0.767003	-0.05	2.66	-4
Italian Lira	1538.24	1540.93	0.17	2.43	-16
French Franc	6.89509	6.95582	[illegible]	1.71	-57

OTHER CURRENCIES

Jan 2	£	$
Argentina	18736.3 - 18736.3	9980.00 - 9990.00
Australia	2.4825 - 2.4845	1.3220 - 1.3230
Brazil	1957.10 - 1957.25	981.55 - 982.90
Finland	7.7315 - 7.7460	4.1100 - 4.1130
Greece	326.000 - 331.200	174.190 - 176.980
Hong Kong	14.5825 - 14.5960	7.7745 - 7.7765
Iran	119.00*	64.00*
Korea(Sth)	1408.30 - 1431.00	756.30 - 765.30
Kuwait	0.53110 - 0.53220	0.28420 - 0.28460
Luxembourg	58.50 - 58.60	31.30 - 31.40
Malaysia	5.1020 - 5.1105	2.7210 - 2.7230
Mexico	5733.75 - 5742.20	3070.00 - 3075.00
N.Zealand	3.4885 - 3.4925	1.8560 - 1.8600
Saudi Ar.	6.9740 - 7.0135	3.7495 - 3.7505
Singapore	3.0500 - 3.0575	1.6240 - 1.6260
S.Af (Cm)	5.1335 - 5.1460	2.7400 - 2.7430
S.Af (Fn)	5.9005 - 5.9950	3.1395 - 3.1900
Taiwan	48.25 - 48.35	25.70 - 25.75
U.A.E.	6.8290 - 6.8695	3.6715 - 3.6735

*Official rate. Floating rate £-2663.0 $-1418.0

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 5-4¾ per cent; three years 5½-5¼ per cent; four years 6⅛-6 per cent; five years 6⅜-6¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.2	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.868	2.855	232.5	9.748	2.550	3.215	2161	2.154	58.55	1.392
$	0.535	1	1.528	124.5	5.218	1.365	1.721	1157	1.153	31.34	0.745
DM	0.350	0.654	1	81.44	3.414	0.893	1.126	756.9	0.754	20.51	0.488
YEN	4.301	8.034	12.28	1000.	41.93	10.97	13.83	9295	9.265	251.8	5.987
F Fr.	1.026	1.916	2.929	238.5	10.	2.616	3.298	2217	2.210	60.06	1.428
S Fr.	0.392	0.733	1.120	91.18	3.823	1	1.261	847.5	0.845	22.96	0.546
N Fl.	0.311	0.581	0.888	72.32	3.032	0.793	1	672.2	0.670	18.21	0.433
Lira	0.463	0.864	1.321	107.6	4.511	1.180	1.488	1000.	0.997	27.09	0.644
C$	0.464	0.867	1.325	107.9	4.526	1.184	1.493	1003	1	27.18	0.646
B Fr.	1.708	3.190	4.876	397.1	16.65	4.355	5.491	3691	3.679	100.	2.377
Ecu	0.718	1.342	2.051	167.0	7.003	1.832	2.310	1552	1.547	42.06	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Base rate fears fade

THE money markets took a breather yesterday as fears over an interest rate rise began to fade.

Sterling's stronger showing from the early hours gave some reassurance that the government would be able to avoid a rate rise for the time being. However, with most of the market still on New Year holiday, dealers were cautious about too much optimism.

"Everyone is waiting for something," said one senior trader. "The whole picture is one of calm before next week's storm."

Many dealers attributed sterling's rally, not just to encouraging noises from Downing Street, but also to a scramble to cover short positions.

The Bank of England gave an early and clear signal that it anticipated no rise in rates when before noon it injected £265m to cover a forecast £550m shortage. The assistance was high, given the uncommonly low shortage.

During the day, the Bank revised its forecast to £650m, and provided a total of £504m in band 1,3 and 4 bank and treasury bills – all at the lower end of market rates. The bank's actions helped to keep overnight money soft, and it traded around the 10 per cent mark during most of the day.

The market was forecasting a shortage for tomorrow of £950m.

The Bank's actions – along with statements from its governor, Mr Robin Leigh Pemberton, that there would be no need for an interest rate rise – appeared to give some heart to short sterling contracts.

The March futures contract surprised the market by rising to 89.40, implying an interest rate of 10.6 per cent.

Yet most dealers – although feeling slightly comforted by the government's determination to keep rates steady, at the very least – are still counting on a rate rise in the medium term. The key three month interbank rate eased slightly, although at 10⅞-¾ it still indicated a ½ point rise early this year.

In the US, traders were talking of pressure for a further rate cut as the latest *economic figures gave little* indication of an upturn. Jobless claims, although better than expected, were still too high, economists said.

Funds traded at around 4$\frac{1}{16}$, above the Federal Reserve's presumed target of 4 per cent.

Year-end pressures had forced funds upwards, dealers said.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.2)	3 months US dollars		6 months US Dollars
bid 4$\frac{1}{16}$	offer 4$\frac{3}{16}$	bid 4$\frac{1}{16}$	offer 4$\frac{3}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6½	One month	3.07	Three year	5.07
Broker loan rate	6	Two month	3.77	Four year	5.98
Fed.funds	4$\frac{1}{16}$	Three month	3.94	Five year	6.42
Fed.funds at intervention	4$\frac{1}{16}$	Six month	3.99	Seven year	6.77
		One year	4.10	10-year	7.50
		Two year	4.77	30-year	7.47

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth	3-mth.	6-mth.	12-mth.
1.8675	1.8572	1.8370	1.8078	1.7560

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	2.26	-	-	0.16	-	-
107	1.49	-	-	0.36	-	-
108	0.85	1.86	-	0.72	-	-
109	0.44	1.34	-	-	1.18	-
Open Int.	139,532	10,677	350	87,819	12,332	250

Estimated volume 83,587 Total Open Interest 246,955

FT-SE EUROTRACK 100 INDEX

	Close	High	Low	Prev.
Mar	1110.0	1105.0	1105.0	1110.0
Jun				

Estimated volume 10 (0)
Previous day's open int. 108 (108)

* Contracts traded on APT. Closing prices shown.

MONEY MARKET FUNDS

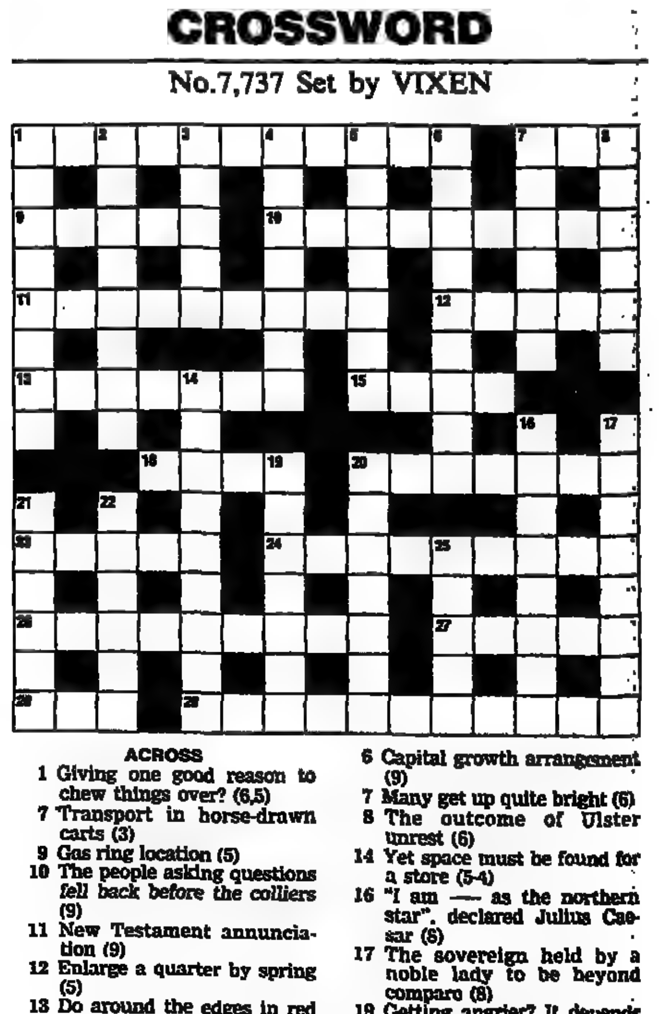
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,737 Set by VIXEN



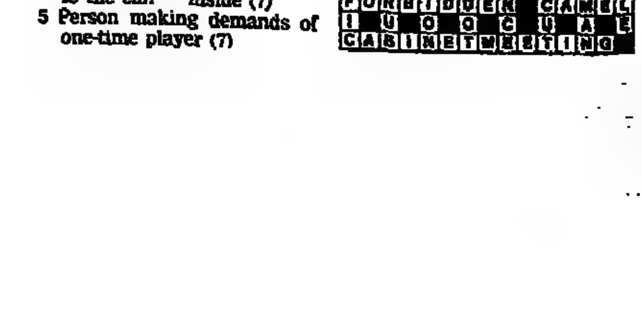
ACROSS

1 Giving one good reason to chew things over? (6,5)
7 Transport in horse-drawn carts (3)
9 Gas ring location (5)
10 The people asking questions fell back before the colliers (9)
11 New Testament annunciation (9)
12 Enlarge a quarter by spring (5)
13 Do around the edges in red (7)
15 Beams when there's fish (4)
18 Polish dossier (4)
20 Name wrong ace – such a bloomer (7)
23 Shock a quiet associate (5)
24 He's put right concerning a theatre worker (9)
26 Taking no care, hit a solitary man (9)
27 A very little Oriental vehicle overturned (5)
28 The first mate appears late in the day (3)
29 They'll have to try sitting (11)

DOWN

1 A seat in the House of Lords (8)
2 Picadors may well get scattered (8)
3 Flora's neat look (2-3)
4 The man again committed to the can – inside (7)
5 Person making demands of one-time player (7)
6 Capital growth arrangement (9)
7 Many get up quite bright (6)
8 The outcome of Ulster unrest (6)
14 Yet space must be found for a store (5-4)
16 "I am —— as the northern star", declared Julius Caesar (6)
17 The sovereign held by a noble lady to be beyond compare (8)
19 Getting angrier? It depends on the individual (7)
20 Give a talking-to, being direct (7)
21 Show a large number to be in trim (6)
22 A parking complaint made by an American (6)
25 A consumer of some taste – a terse fellow (5)

Solution to Puzzle No.7,736



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec 31	Dec 30	Dec 27	Dec 26	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3168.83	3163.91	3101.52	3082.96	3168.83 (31/12)	2470.30 (9/1)	3168.83 (31/12/91)	41.22 (2/7/32)
Home Bonds	98.93	98.79	98.73	98.42	98.93 (31/12)	91.30 (16/1)	98.93 (31/12/91)	54.99 (1/10/81)
Transport	1358.00	1344.92	1314.84	1315.02	1358.00 (31/12)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	226.15	223.71	220.52	220.52	226.15 (31/12)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3204.61 (3174.64) Low 3121.20 (3090.79)

STANDARD AND POOR'S

	Dec 31	Dec 30	Dec 27	Dec 26	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.09	415.14	406.46	404.84	417.09 (31/12)	311.49 (9/1)	417.09 (31/12/91)	4.40 (1/6/32)
Industrials	492.72	490.43	479.39	476.81	492.72 (31/12)	364.90 (9/1)	492.72 (31/12/91)	3.62 (21/6/32)
Financial	34.10	34.27	33.62	33.49	34.27 (30/12)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	229.44	228.22	223.75	222.61	229.44 (31/12)	170.97 (9/1)	229.44 (31/12/91)	4.46 (25/4/42)
Amex Mkt. Value	395.05	390.15	382.94	377.52	395.05 (31/12)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	586.34	579.75	565.71	559.30	586.34 (31/12)	355.75 (14/1)	586.34 (31/12/91)	54.87 (31/10/72)

	Dec 27	Dec 20	Dec 13	year ago (approx.)
Dow Industrial Div. Yield	2.99	3.13	3.14	3.92
	Dec 24	**Dec 18**	**Dec 11**	**year ago (approx.)**
S & P Industrial div. yield	2.68	2.78	3.22	3.31
S & P Indl. P/E ratio	24.21	25.24	21.05	15.92

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
West. Elec.	3,294,700	17⅞	- ⅛
RJR Nabisco	3,272,100	10⅛	- ⅛
Am. T&T	2,917,700	39⅛	- ⅛
Philip Morris	2,656,000	79⅞	- ⅞
Gen Electric	2,607,500	76½	- ⅛
Wal-Mart	2,491,700	58⅜	+ ⅛
Amer Express	2,473,600	20⅛	- ⅝
Glaxo	2,437,400	31⅛	+ ½
Gen Motors	2,366,000	28⅞	+ ⅛
Pepsico	2,236,800	33⅛	- ⅛

TRADING ACTIVITY

† Volume Millions	Dec 31	Dec 30	Dec 27
New York SE	247.570	245.450	154.995
Amex	31.354	24.571	14.188
NASDAQ	(u)	224.083	163.367
NYSE			
Issues Traded	2,236	2,228	2,183
Rises	1,247	1,382	1,091
Falls	602	464	588
Unchanged	387	382	504
New Highs	333	319	230
New Lows	12	18	13

CANADA

TORONTO	Dec 31	Dec 30	Dec 27	Dec 26	1991 HIGH	1991 LOW
Metals & Minerals	2954.99	2972.08	2917.66	(c)	3299.99 (18/7)	2632.06 (9/1)
Composite	3512.36	3505.90	3441.91	(c)	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1860.43	1861.59	1832.13	(c)	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	Jan 2	Dec 31	Dec 30	Dec 27	1991/92 HIGH	1991/92 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1647.9	1651.4	1612.5	1594.9	1696.3 (8/11/91)	1204.5 (16/1/91)
All Mining (1/1/80)	660.3	662.2	645.3	636.2	707.2 (24/7/91)	561.6 (16/1/91)
AUSTRIA						
Credit Aktien (30/12/84)	372.24	(c)	374.63	376.49	534.81 (16/4/91)	372.24 (2/1/92)
BELGIUM						
BEL20 (1/1/91)	1108.46	(c)	1092.00	1082.94	1212.15 (17/4/91)	917.59 (17/1/91)
DENMARK						
Copenhagen SE (3/1/83)	354.37	(c)	352.56	349.15	380.04 (2/8/91)	302.26 (8/1/91)
FINLAND						
HEX General (28/12/90)	779.0	(c)	781.5	767.2	1186.9 (8/4/91)	765.2 (23/12/91)
FRANCE						
CAC General (31/12/82)	475.53	476.66	470.73	470.29	503.51 (15/11/91)	394.88 (15/1/91)
CAC 40 (31/12/87)	1749.91	1765.66	1741.86	1720.65	1887.29 (1/10/91)	1425.26 (15/1/91)
GERMANY						
FAZ Aktien (31/12/58)	651.92	(c)	640.31	636.91	717.43 (17/6/91)	570.48 (15/1/91)
Commerzbank (1/12/53)	1838.4	(c)	1804.5	1794.9	2035.2 (31/5/91)	1612.5 (15/1/91)
DAX (30/12/87)	1601.88	(c)	1577.98	1563.59	1715.80 (11/6/91)	1311.82 (16/1/91)
HONG KONG						
Hang Seng Bank (31/7/64)	4301.78	4297.33	4275.20	4236.20	4301.78 (2/1/92)	2984.01 (16/1/91)
IRELAND						
ISEQ Overall (4/1/88)	1404.72	1380.25	1367.03	(c)	1520.65 (15/3/91)	1114.36 (25/1/91)
ITALY						
Banca Com. Ital. (1972)	507.43	507.79	504.58	496.66	619.38 (3/6/91)	482.89 (10/12/91)
JAPAN						
Nikkei (16/5/49)	(c)	(c)	22983.77	22437.32	27146.91 (18/3/91)	21456.76 (19/8/91)
Tokyo SE (Topix) (4/1/68)	(c)	(c)	1714.68	1675.23	2028.85 (18/3/91)	1625.00 (17/1/91)
2nd Section (4/1/68)	(c)	(c)	2438.93	2424.50	3423.45 (28/5/91)	2424.50 (27/12/91)
MALAYSIA						
KLSE Composite (4/4/86)	552.16	556.22	554.38	551.80	635.02 (29/5/91)	470.41 (16/1/91)
NETHERLANDS						
CBS TU.Rtn Gen (End 1983)	277.7	(c)	272.6	271.5	284.8 (5/6/91)	221.4 (16/1/91)
CBS All Shr (End 1983)	195.0	(c)	191.4	190.6	203.1 (5/6/91)	162.3 (16/1/91)
NORWAY						
Oslo SE (Ind) (2/1/83)	678.99	(c)	670.99	662.45	793.53 (26/8/91)	595.77 (2/12/91)
PHILIPPINES						
Manila Comp (2/1/85)	1172.78	(c)	(c)	1151.87	1183.40 (29/5/91)	582.64 (10/1/91)
SINGAPORE						
SES All-Singapore (2/4/75)	401.19	404.50	401.80	400.17	422.43 (26/4/91)	315.07 (16/1/91)
SOUTH AFRICA						
JSE Gold (28/9/78)	1118.04	1131.0	1142.0	(c)	1469.0 (5/7/91)	971.0 (25/2/91)
JSE Industrial (28/9/78)	4168.06	4170.0	4133.0	(c)	4364.0 (13/11/91)	2829.0 (16/1/91)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	(c)	(c)	(c)	763.10 (6/8/91)	586.51 (23/12/91)
SPAIN						
Madrid SE (30/12/85)	238.93	246.24	242.11	237.31	289.22 (12/3/91)	213.70 (14/1/91)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	913.7	(c)	917.6	906.7	1149.8 (11/7/91)	808.4 (8/1/91)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(c)	(c)	734.5	729.0	769.3 (14/11/91)	590.4 (14/1/91)
SBC General (1/4/87)	(c)	(c)	595.0	590.1	638.0 (31/5/91)	487.1 (14/1/91)
TAIWAN**						
Weighted Price (30/6/66)	(c)	(c)	(c)	4540.55	6305.22 (9/5/91)	3316.26 (15/1/91)
THAILAND						
Bangkok SET (30/4/75)	712.02	(c)	711.36	702.60	908.13 (19/4/91)	582.48 (16/1/91)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	535.4*	533.4	531.2	522.8	535.4 (2/1/92)	439.1 (16/1/91)

** Saturday December 28: Taiwan Weighted Price 4600.67; Korea Comp Ex (c). & Subject to official recalculation. *Calculated at 15.00 GMT. Base values of all indices are 100 except BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

3:15 pm prices January 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅝	9¼	AAR Corp	0.48	3.6	14	540	13⅜	12⅞	13¼	-⅛
24⅛	14½	A L Labs A x	0.16	0.7	26	249	24¼	23	23⅝	-⅜
60	40⅞	AMP Inc	1.44	2.5	23	7993	58¾	58⅛	58⅞	-⅞
71	44¼	AMR			13	3095	70¾	68⅞	68¼	-1¾
2⅝	1	ARX			1	14	1⅝	1½	1½	
56	41½	ASA	3.00	6.4	13	497	47⅛	46¾	47⅛	+¼
69½	39¼	Abbott Lab x	1.00	1.5	27	6021	67⅞	66	66¼	-2⅛
14⅝	9⅞	Abitibi Pr x	0.50	4.0	16	6	12½	12½	12½	
11⅝	10⅜	ACM Gvt In x	1.31	11.6		187	11¼	11⅛	11¼	
9¾	8¼	ACM GvOpp x	1.01	10.5		61	9⅝	9½	9⅝	
9½	8¼	ACM Gvt Sp x	0.17	1.9		153	9	9	9⅛	+⅛
11	9⅞	ACM Gvt Se x	1.28	11.7		288	10⅞	10⅝	10⅝	+⅛
9½	7⅝	ACM Man x	1.05	11.6		115	u9⅛	9	9⅛	+⅛
12⅞	11½	ACM Mangd x	1.35	10.6		162	12¾	12⅝	12¾	+⅛
7½	4⅝	Acme Cleve	0.40	5.7	16	212	7¼	7	7	-¼
6	3⅛	Acme Elect			3	43	4⅛	4⅛	4⅛	
40	22¾	Acuson			20	1099	32	31	31½	-½
20⅞	14¼	Adams Expr	1.63	8.6	0	159	19	18⅞	18⅞	-⅛
20⅞	12⅞	Adobe12Pf	2.40	16.6		41	16¼	14½	14½	-⅞
9¼	3⅞	Adobe Res			49	145	5⅛	5	5	-⅛
43	18	Ad Micro				521	u43	42¼	42⅝	+⅛
17¾	4⅝	Ad Micro P	3.00	16.9		887026	u18	17⅜	17⅜	+¼
5⅛	2⅛	Advest Grp	0.16	2.7	8	797	u5⅞	5	5⅞	+¼
49⅛	31⅞	Aetna Lf x	2.76	6.4		81660	43¼	42⅝	43	-1
10⅝	6⅝	Affil A x	0.24	2.8	76	392	8⅝	8⅛	8⅝	
20⅞	12	Ahmanson	0.88	5.2	10	2617	17⅜	16¾	16¾	-⅜
20	2⅞	Aileen Inc			16	114	18½	18⅛	18⅜	-¼
74⅛	51⅛	Air Pr Chm x	1.58	2.1	16	697	u74⅛	72⅞	73⅝	-¼
30	16⅜	Airbne Frt	0.30	1.2	17	856	24⅜	24	24¼	
24½	12½	Airgas Inc			111	67	24	23⅛	23⅛	-⅞
15¼	9	Airlease x	1.66	19.8	6	160	9⅛	d8½	8½	-1
101	89¼	AlaPw8.16	8.16	8.1		2	100½	99½	100½	-½
25⅛	21⅞	AlaPw PfA	2.00	8.0		11	u25⅛	25⅛	25⅛	
107	100	AlaPw9.44	9.44	9.0		4	104	104	105	+1
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20¼	9⅞	TJX Cos x	0.48	2.7	16	1173	17⅞	16⅝	17⅛	+¼
21	18⅞	TNP Enterp	1.63	8.5	8	184	19¼	19	19¼	
46¾	34½	TRW Inc x	1.80	4.3	18	457	42½	41	41½	-½
33⅛	20⅞	USX Mrthn	1.40	5.8		6193	24⅞	23⅞	24⅛	-⅛
30¼	21⅜	USX US Stl	1.00	3.6		685	27½	27⅛	27½	+⅛
28½	20⅛	Utilcp1 775	1.78	6.5		5	27½	27½	27½	-¼
29¼	25⅞	Utilcp2.44	2.44	8.5		z100	29	29	28⅞	
29⅞	20⅛	Utilicorp	1.60	5.6	12	425	28⅝	28¼	28½	-⅛

- V -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
41½	17⅝	VF Corp	1.08	2.8	22	898	39⅝	38⅞	39	-⅝
30¾	26½	Valero Pf	3.44	12.8		4	26⅞	26⅞	26⅞	+¼
31	14¼	Valero En	0.34	1.1		646	29¾	29¼	29⅝	-⅛
18⅛	8¼	ValeroNGas	2.50	26.3	4	155	9½	9⅜	9½	+⅛

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52¼	43⅛	Xerox4.125				z100	u52¼	52¼	52¼	
25¾	14⅝	Xtra 1.94				5	25	25	25	
29⅞	14⅞	Xtra Corp	0.72	2.5	14	44	29	28⅞	29	+¼
27⅞	21⅞	Yankee Egy	1.60	6.0	12	134	26⅞	26⅝	26¾	+¼
1½	⅝	Zapata			49	229	⅞	6½	½	
9⅝	6⅝	ZenithElec			2	218	7½	7¼	7⅜	
18½	12	Zenith Nat x	1.00	6.2	135	615	16⅞	16¼	16¼	-⅛
6⅞	4½	Zenix Inc	0.84	13.7		86	6¼	6	6¼	
16⅞	10	Zero Corp	0.40	3.3	16	382	12	11⅞	12	+⅛
41⅞	29½	Zurn Ind	0.88	2.5	14	169	36	35¼	35¼	-⅛
13⅞	10⅛	Zweig Fund x	1.16	8.5		171	13¾	13½	13⅝	-⅛
10⅞	8½	Zweig Tot x	0.96	8.9		772	u10⅞	10⅝	10¾	

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows reflect the whole of 1991. Sales figures are unofficial. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE PRICES

3:15 pm prices January 2

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oneida A		40	z100	5⅛	5⅛	5⅛	
Olsten	0.24	36	180	24⅛	23⅝	23⅞	-⅛
OMI Corp x	0.14	6	116	7⅜	7½	7⅝	
Pall Corp x	0.20	29	1033	27⅞	26¾	27⅛	
Pegasus G	0.10	7	242	12⅛	12⅛	12⅛	-⅛

NASDAQ NATIONAL MARKET

3:15 pm prices January 2

AMERICA

Dow rallies from early lows as selling abates

Wall Street

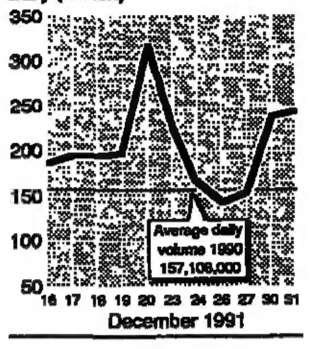
SHARE PRICES on Wall Street began the New Year on a weaker note, having ended 1991 in record-breaking form, *writes Nikki Tait in New York*. By lunchtime, however, some of the selling pressure had abated and the Dow Jones Industrial index had rallied from its mid-morning lows.

By 1 pm, the Dow Jones Industrial Index stood at 3,154.96, down 13.87 – having been more than 23 points lower two hours earlier. Traders suggested that much of the earlier selling was generated by short-term investors who were looking to take their profits after the market's post-Christmas surge.

The trend was broadly similar for other indices and markets. The more broadly-based Standard & Poor's 500 stock index was showing a decline of 2.02 at 413.49 by lunchtime, while the Nasdaq index of over-the-counter shares was 5.18 lower at 581.16. Volume on the Big Board by early afternoon stood at 127.3m shares, with declining stocks outweighing advancing ones by about two-to-one.

Statistics released yesterday morning gave contradictory messages about the state of the US economy and had relatively little impact on share prices. The latest National Association of Purchasing Management survey was far more gloomy than economists had predicted, suggesting that the composite index had fallen to 46.5 per cent – the first time it has fallen below 50 per cent since May. A reading below 50 per cent indicates that the manufacturing sector is declining.

NYSE volume



Within the NAPM index, the employment constituent showed a marked fall. However, labour department figures suggested that initial jobless claims fell by 29,000 to 438,000 in the week ended December 21 – significantly better than analysts had predicted.

Most of the trading activity was concentrated in mainline issues. By mid-morning, General Motors had recovered $1¾ at $30⅝. RJR Nabisco was $⅛ lower at $10¾, Pepsico had fallen $⅝ to $33¼, and General Electric was down $⅜ at $76⅛.

In the retail sector, dealers continued to pay attention to news of Christmas sales; shares in Toys 'R Us, for example, gained $2¾ to $35⅝ after the company said that eight-week same-store sales, including the Christmas period, rose by 7.9 per cent.

GTE, the telecommunications group, slipped $¾ to $33⅞ on news that the company is selling its stake in US *Sprint to United Telecom for* $530m. United Telecom itself was $⅝ lower at $23⅞.

Canada

TORONTO midday stocks continued their decline on profit-taking. The gold and silver index, which had gained in the last few sessions, dropped 55.52 to 4,886.60 on the drop in gold prices in New York. The TSE 300 was off 28.96 at 3,483.40 on 6.35m shares. Declines led advances by 241 to 127 with 175 unchanged.

EUROPE

Late-closers fall back on weak NY start

SPAIN stood out with a 3 per cent drop in a quiet 1992 debut for European bourses. Other late-closers came off their highs on Wall Street's easier start, *writes Our Markets Staff*.

MADRID blamed a technical reaction for its weakness, following year-end window dressing. The general index tumbled 7.31 to 238.93, although turnover was thin at around Pta7bn after more than Pta20bn on Tuesday.

FRANKFURT broke through 1,600 on the *DAX index, which* closed 23.90 higher at 1,601.88 after a gain of 11.61 to 651.92 for the FAZ at midsession. Volume rose from Monday's DM2.9bn to DM3.4bn.

Ms Barbara Schumacher of Merck Finck in Düsseldorf said the launch of Germany's new unity bond, with an 8 per cent *coupon to yield 7.94* per cent, was achieved on better-than-expected terms. This led to a fall of 5 basis points, to 8.35 per cent, in the Bundesbank's average bond yield, and rises in bank and insurance shares. Deutsche Bank put on DM12.70 to DM683.90, and Allianz DM40 to DM2,138.

PARIS's CAC 40 index rose as high as 1,765.49 on a firm bond market but then fell back on profit-taking and Wall Street to close at 1,749.91, down 15.75. Turnover was estimated at a thin FFr900m.

FT-SE Eurotrack 100 - Jan 2							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1081.85	1081.56	1080.94	1080.25	1079.97	1079.60	1079.05	1078.19
Day's High 1082.05				Day's Low 1078.09			
Dec 31	Dec 30	Dec 27	Dec 24	Dec 23			
1079.41†	1055.54	1055.30	1042.60	1026.29			

Base value 1000 (26/10/90). † Partial.

Among blue-chips which fell after their recent gains, L'Oréal fell FFr18 to *FFr733* and L'Air Liquide lost FFr17 to FFr686.

MILAN was steady in thin trading. The Comit index eased 0.36 to 507.43 in turnover estimated at L50bn after Tuesday's L66bn. The introduction of new-style brokerages or Sims added to the cautious mood.

Pirelli ordinary shares fell L40 to L1,055, weakened by last month's revelations of heavy *losses linked to the failed take*over of Germany's Continental. On the upside, the telephone company Sip rose L18 to L1,382 and the insurer Generali added L70 to L28,290.

AMSTERDAM was weakened by Wall Street. The CBS Tendency index, re-based to 100 at end-1990 values, closed up 1.1 at 113.6, after a high of 114.8.

BRUSSELS saw the retailer Delhaize jump BFr500 or 5.9 per cent to BFr8,910 in response to the rise in shares in its US subsidiary, Food Lion. The Bel 20 index rose 15.74 to 1,108.46.

STOCKHOLM fell back after its end-1991 recovery, the Affärsvärlden General index closing 3.90 lower at 913.70 in low volume. Astra free Bs fell SKr10 to SKr580, and Ericsson by SKr3 to SKr105.

OSLO was less pessimistic, the all-share index rising 5.38, or 1.3 per cent to 418.93 in turnover worth NKr332m.

ASIA PACIFIC

Region trades quietly after closing gains of 1991

TRADING in the region was thin yesterday, reflecting a pause after the closing gains of 1991. Tokyo, New Zealand, Seoul and Taiwan were closed.

AUSTRALIA ended slightly lower after swinging wildly in morning trade. The All Ordinaries index was 18 points ahead at one stage but closed a net 3.5 off at 1,647.9. Volume at 54.4m shares was the lowest in almost 12 months.

Timber group Bunnings was steady at A$4.00 after Wesfarmers launched an A$163m takeover bid. Wesfarmers fell 17 cents to A$4.90.

HONG KONG ended slightly higher in the absence of any clear direction. The Hang Seng index inched up 4.45 to 4,301.78. Most actively traded were Cheung Kong, up 10 cents at HK$19.80, and HSBC Holdings, unchanged at HK$35.75. Turnover rose to HK$1bn from Tuesday's HK$910m.

SINGAPORE closed weaker on slight volume, the first decline after six consecutive gains. The Straits Times Industrial index finished at 1,479.35, down 11.35 from Tuesday.

KUALA LUMPUR was affected by the absence of buying by the government investment fund, which has driven prices higher in recent weeks. The composite index receded 4.06 to 552.16 in volume of 23.3m shares, against 64.7m on Tuesday.

MANILA gained ground in a mood of general market optimism. The composite index climbed 20.91 to finish at 1,172.78, the highest since it closed at 1,173.59 on May 31.

BANGKOK was disrupted by a computer breakdown whichsharply reduced trading volume. The SET index closed 0.66 up at 712.02 after turnover of Bt 1.63bn.

JAKARTA ended little changed in very slow trade. The official index eased 0.44 to 246.95. Turnover was a meagre 1.67m shares, against more than 16m on the last day of trading in 1991.

BOMBAY scored its second successive high on expectations of low carry-forward charges. The BSE index rose as high as 1,973.59 before finishing at 1,969.16, up 11.83.

SOUTH AFRICA

JOHANNESBURG eased in listless trading. Gold shares continued to be weighed down by weak precious metal prices. The all-gold index fell 18 to 1,118 while the industrial index eased 2 to 4,168. The all-share index lost 13 to 3,427.

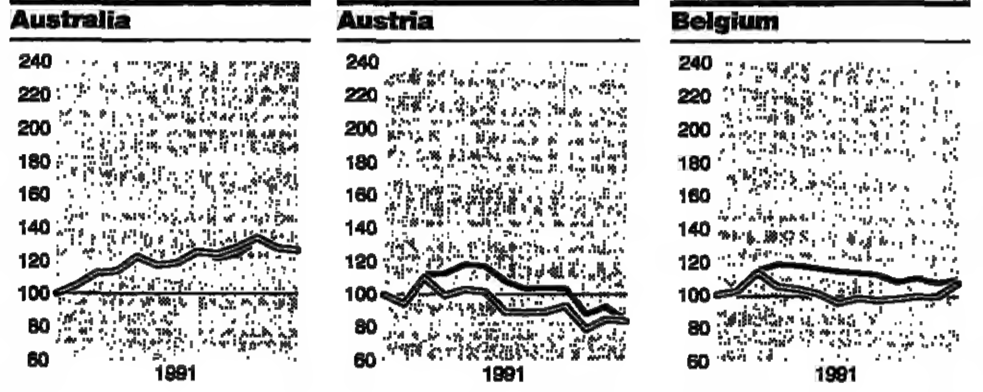
HOW THE WORLD MARKETS PERFORMED IN 1991

KEY

Dollar index
Local currency index

Figures below charts show: Quarterly and annual capital changes (%) in local currency.
1,2,3,4 = first, second, third, fourth quarter changes
Y = is the annual change.

Source : FT–Actuaries World Index. Figures jointly compiled by the Financial Times, Goldman Sachs & Co. and County NatWest / Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries



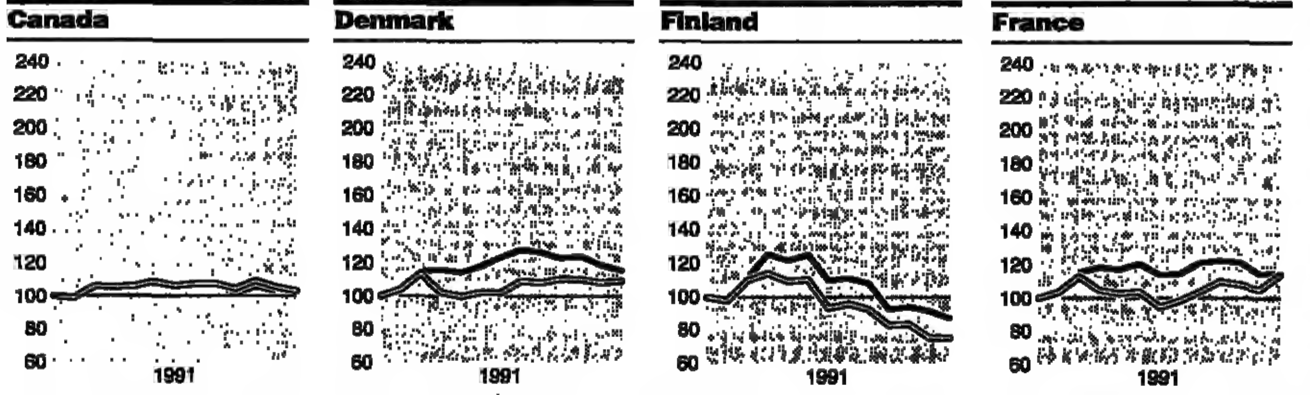
	1	2	3	4	Y
Australia	13.83	5.01	3.53	4.80	29.70
Austria	12.91	-4.29	-4.30	-17.06	-14.23
Belgium	18.77	-3.74	-5.81	2.36	10.23

FT-ACTUARIES WORLD INDICES

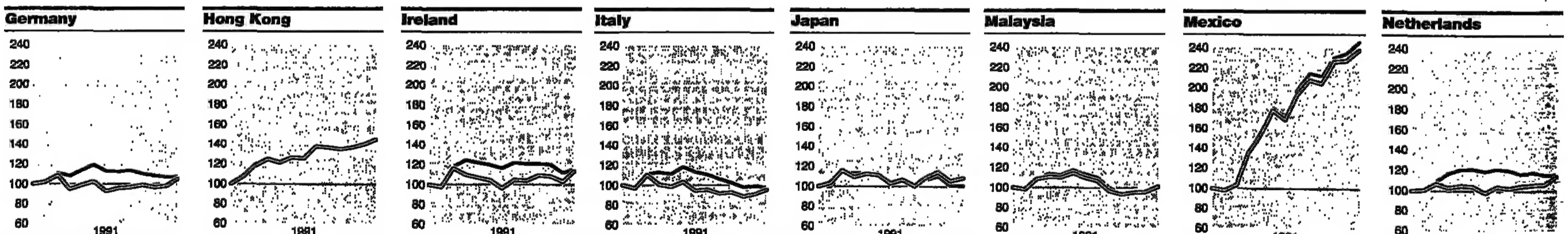
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 31 1991								MONDAY DECEMBER 30 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	150.85	+2.7	119.53	119.14	118.97	132.03	+2.6	4.21	146.93	116.68	116.74	116.11	128.70	160.31	112.74	118.05
Austria (20)	166.53	+0.2	131.96	131.54	131.34	131.21	+0.0	2.20	166.17	131.95	132.04	131.31	131.21	222.37	153.86	196.64
Belgium (47)	144.34	+0.3	114.38	114.00	113.84	111.24	+0.0	5.33	143.88	114.25	114.31	113.70	111.24	151.20	118.04	132.22
Canada (115)	136.30	+0.3	108.00	107.65	107.49	114.14	+0.1	3.22	135.91	107.92	107.98	107.39	114.01	144.28	126.49	139.09
Denmark (37)	267.15	+0.2	211.69	211.01	210.70	214.65	+0.0	1.67	266.59	211.70	211.83	210.67	214.65	270.56	217.74	232.63
Finland (15)	*78.02*	*+0.1*	*61.82*	*61.63*	*61.53*	*67.71*	*+0.0*	*3.60*	*77.97*	*61.92*	*61.96*	*61.62*	*67.71*	*125.15*	*73.32*	*103.14*
France (109)	150.44	+1.7	119.21	118.81	118.64	122.30	+1.5	3.62	147.97	117.50	117.57	116.92	120.47	152.26	119.11	131.75
Germany (65)	117.33	+0.2	92.97	92.68	92.53	92.53	+0.0	2.49	117.09	92.99	93.05	92.53	92.53	125.35	94.15	111.90
Hong Kong (55)	176.36	+0.7	139.75	139.29	139.10	176.14	+0.7	4.23	175.21	139.13	139.21	138.46	174.99	176.36	119.62	121.81
Ireland (16)	167.81	+1.2	132.97	132.54	132.35	135.31	+1.2	3.71	165.81	131.67	131.75	131.03	133.66	182.46	132.88	148.48
Italy (77)	75.39	+0.9	59.74	59.54	59.46	64.67	+0.6	3.58	74.72	59.33	59.37	59.04	64.26	88.23	64.76	78.31
Japan (474)	135.82	+0.6	107.63	107.28	107.13	107.28	+0.0	0.79	135.01	107.21	107.28	106.71	107.28	146.97	118.23	124.77
Malaysia (68)	214.18	+0.8	169.72	169.18	168.92	224.45	+0.4	2.78	212.49	168.74	168.83	167.92	223.58	247.78	189.18	212.14
Mexico (17)	1391.17	+1.7	1102.37	1098.79	1097.20	4625.46	+1.7	1.11	1367.74	1086.12	1086.76	1080.85	4547.55	1404.53	534.45	584.45
Netherland (31)	152.68	+0.2	120.98	120.59	120.42	119.09	+0.0	4.53	152.41	121.03	121.10	120.44	119.09	152.68	125.70	133.97
New Zealand (14)	46.98	+1.3	37.23	37.11	37.05	46.17	+1.4	5.95	46.40	36.85	36.87	36.67	45.54	54.84	41.18	43.41
Norway (28)	178.79	+0.3	141.67	141.21	141.01	144.75	+0.0	1.78	178.19	141.50	141.59	140.82	144.75	223.24	157.08	204.27
Singapore (38)	219.68	+1.1	174.08	173.51	173.26	164.00	+0.5	2.13	217.28	172.54	172.65	171.70	163.21	219.68	151.63	159.27
South Africa (61)	248.90	+0.1	197.23	196.59	196.30	172.99	+0.4	2.85	248.69	197.48	197.59	196.52	172.29	271.99	173.00	182.89
Spain (53)	156.41	+1.9	123.94	123.54	123.35	114.58	+1.7	4.85	153.48	121.88	121.96	121.29	112.67	171.12	131.51	140.32
Sweden (25)	*181.14*	*+0.2*	*143.54*	*143.07*	*142.87*	*148.63*	*+0.0*	*3.00*	*180.73*	*143.52*	*143.61*	*142.83*	*148.63*	*204.12*	*146.60*	*159.45*
Switzerland (59)	100.37	+0.1	79.53	79.28	79.17	84.31	+0.0	2.37	100.22	79.59	79.64	79.21	84.31	100.67	82.17	88.93
United Kingdom (235)	185.33	+3.1	146.86	146.37	146.16	146.86	+2.8	5.07	179.83	142.80	142.88	142.10	142.80	187.44	158.27	165.67
USA (525)	169.88	+0.4	134.62	134.18	133.99	169.88	+0.4	2.87	169.17	134.34	134.42	133.69	169.17	169.88	125.95	133.31
Europe (819)	147.69	+1.7	117.03	116.65	116.48	117.46	+1.5	4.10	145.19	115.30	115.37	114.74	115.71	151.52	125.50	134.53
Nordic (105)	183.77	+0.2	145.62	145.15	144.94	143.90	+0.0	2.25	183.36	145.60	145.69	144.90	143.90	200.81	155.55	167.71
Pacific Basin (718)	137.13	+0.7	108.66	108.31	108.16	109.86	+0.1	1.11	136.16	108.14	108.21	107.62	109.70	145.92	117.86	124.12
Euro–Pacific (1537)	141.68	+1.1	112.27	111.89	111.73	113.66	+0.7	2.35	140.11	111.26	111.32	110.72	112.86	147.66	121.29	128.70
North America (640)	167.75	+0.4	132.93	132.51	132.32	166.06	+0.4	2.89	167.05	132.66	132.75	132.04	165.41	167.75	125.91	133.02
Europe Ex. UK (584)	125.14	+0.7	99.16	98.86	98.72	100.60	+0.6	3.38	124.22	98.64	98.72	98.19	100.05	129.80	103.58	116.51
Pacific Ex. Japan (244)	150.04	+1.6	118.89	118.52	118.35	134.59	+1.4	3.94	147.73	117.31	117.40	116.76	132.70	153.19	111.40	115.83
World Ex. US (1730)	143.41	+1.1	113.63	113.27	113.11	115.40	+0.7	2.36	141.88	112.67	112.74	112.12	114.61	148.16	122.32	129.54
World Ex. UK (2020)	148.01	+0.6	117.28	116.91	116.74	130.73	+0.3	2.28	147.16	116.86	116.94	116.30	130.29	148.01	120.06	128.31
World Ex. So. Af. (2194)	150.63	+0.8	119.36	118.98	118.81	131.92	+0.6	2.56	149.38	118.62	118.70	118.06	131.15	150.63	122.92	129.48
World Ex. Japan (1781)	160.86	+0.9	127.46	127.06	126.89	146.28	+0.9	3.35	159.38	126.56	126.65	125.97	145.05	160.86	126.69	133.71
The World Index (2255)	151.26	+0.8	119.86	119.47	119.31	132.28	+0.6	2.57	150.02	119.13	119.21	118.56	131.51	151.26	123.28	128.80

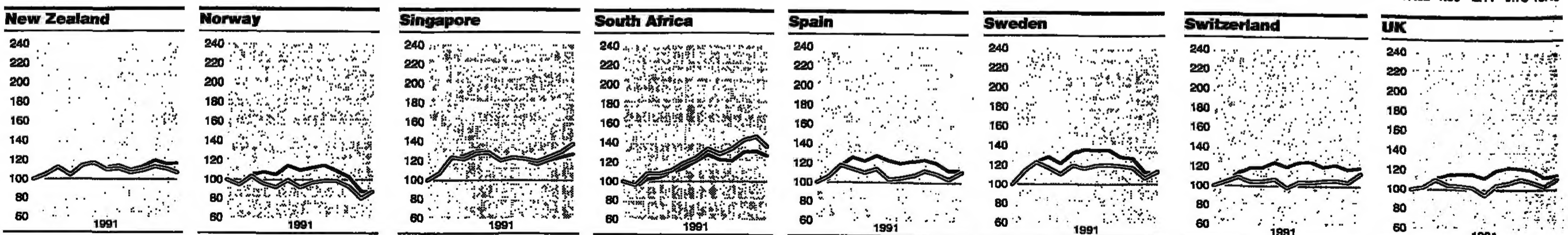
Constituent changes with effect 3/1/92: Following the agreed merger between Banco Central and Banco Hispano Americano, the latter will be deleted and the new company renamed Banco Central Hispano Americano (Spain). Markets closed December 31: Austria, Belgium, Denmark, Finland, Germany, Japan, Netherlands,Norway, Sweden and Switzerland. Latest prices were unavailable for this edition.



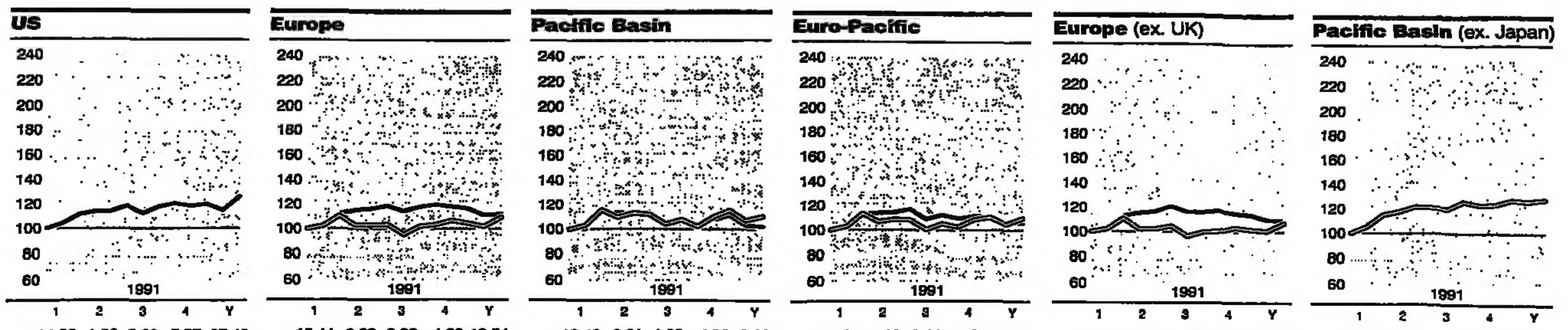
	1	2	3	4	Y
Canada	5.22	-0.40	-2.77	2.51	4.48
Denmark	16.08	6.32	-0.55	-4.33	17.42
Finland	25.76	-12.32	-15.89	-6.94	-13.70
France	18.35	-3.65	7.20	-4.84	16.32



	1	2	3	4	Y
Germany	7.71	4.69	-2.55	-3.19	6.36
Hong Kong	24.67	0.12	7.30	7.82	44.41
Ireland	24.09	-6.46	3.94	-4.70	14.97
Italy	12.61	0.40	-9.49	-4.21	-1.97
Japan	13.03	-7.43	2.03	-6.07	0.28
Malaysia	13.27	0.16	-16.49	7.34	1.71
Mexico	36.95	25.88	22.83	15.77	145.12
Netherlands	17.02	1.56	-2.11	-0.73	15.49



	1	2	3	4	Y
New Zealand	4.46	7.23	0.98	4.10	17.75
Norway	8.29	1.37	-0.60	-18.63	-11.21
Singapore	25.92	-2.51	-5.38	10.66	28.53
South Africa	4.19	16.33	0.30	4.48	27.00
Spain	26.52	-2.72	0.80	-9.08	12.81
Sweden	28.49	6.08	-5.70	-12.91	11.95
Switzerland	19.08	0.84	0.18	-0.30	19.93
UK	15.43	-2.55	8.96	-5.85	15.39



	1	2	3	4	Y
US	14.06	-1.25	5.00	7.77	27.43
Europe	15.44	-0.83	3.26	-4.80	12.54
Pacific Basin	13.42	-6.61	1.93	-4.90	2.68
Euro-Pacific	14.24	-4.30	2.44	-4.85	6.56
Europe (ex. UK)	15.44	0.52	-0.78	-3.97	10.57
Pacific Basin (ex. Japan)	18.08	2.20	1.07	6.53	29.94

Source: Datastream

EXCHANGE RATES

	End 1st Qtr 1991 $	£	2nd Qtr $	£	3rd Qtr $	£	4th Qtr $	£
Australia	1.2889	2.2380	1.3043	2.1117	1.2841	2.1880	1.3161	2.4625
Austria	11.975	20.825	12.748	20.635	11.691	20.405	10.681	19.988
Belgium	35.19	61.20	37.31	60.40	34.25	60.00	31.24	58.45
Canada	1.1564	2.0110	1.1427	1.8550	1.1303	1.9815	1.1658	2.1625
Denmark	6.5555	11.4000	6.9831	11.3056	6.4135	11.2425	6.9073	11.0825
Finland	4.0420	7.0250	4.2904	6.9462	4.0485	7.0970	4.1323	7.7315
France	5.7621	10.0550	6.1473	9.9525	5.6617	9.9250	5.1831	9.6975
Germany	1.7050	2.9650	1.8144	2.9375	1.6629	2.9250	1.5188	[illegible]
Hong Kong	7.7884	13.5540	7.7815	12.5962	7.7306	13.5616	7.7738	14.5447
Ireland	0.6400	1.1130	0.6776	1.0970	0.6232	1.0925	0.5708	1.0680
Italy	1269.26	2207.25	1348.05	2182.50	1243.44	2179.75	1148.45	2148.75
Japan	141.17	245.50	137.89	223.25	132.77	232.75	124.93	233.75
Malaysia	2.7880	4.8446	2.7940	4.5250	2.7318	4.7890	2.7208	5.0902
Mexico	2986.42	5193.37	3205.63	4988.50	3059.37	5367.87	3008.12	5680.57
Netherlands	1.9221	3.3425	2.0429	3.3075	1.8739	3.2850	1.7090	3.1975
New Zealand	1.7021	2.9600	1.7382	2.8142	1.7613	3.0875	1.8502	3.4617
Norway	6.6446	11.5550	7.0550	11.4225	6.5031	11.4000	5.9647	11.1800
Singapore	1.7931	3.1182	1.7702	2.8660	1.6817	2.9480	1.6304	3.0317
South Africa	2.7326	4.7520	2.8882	4.6760	2.7969	4.9065	2.7406	5.1277
Spain	105.20	182.95	113.50	183.75	105.05	184.15	98.55	180.45
Sweden	6.1645	10.7200	6.5519	10.6075	6.0896	10.6400	5.5425	10.3700
Switzerland	1.4549	2.5300	1.5561	2.5225	1.4489	2.5400	1.3540	2.5350
UK	0.575		0.618		0.570		0.534	
USA		1.7390		1.6190		1.7530		1.8710